

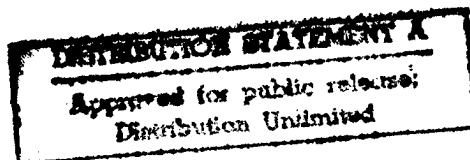
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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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12 June 1984

EAST EUROPE REPORT

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CZECHOSLOVAKIA

NEW ORE, COAL FINDS IN SLOVAKIA DISCUSSED

Bratislava PRAVDA in Slovak 24 Apr 84 pp 1, 2

[Article by PRAVDA editor Jan Markovic: "There Is No End of Surprises From the Depths of the Earth -- New Discoveries of Coal, Ferrous and Nonferrous Metals"]

[Text] One of the vital decisions made by the 16th CPCZ Congress demands more thorough exploitation and conversion of our domestic resources of raw materials. This decision applies directly to the employees of the Geological Survey in Spisska Nova Ves who are surveying the already existing and new deposits of coal and of ferrous and nonferrous ores all over Slovakia.

It may be noted that in 3 years the geologists from the Spis region have fulfilled, and in many instances even far exceeded, their tasks in the exploration of new resources or in the search for new deposits. According to the statement of the deputy enterprise director for geology at the Geological Survey in Spisska Nova Ves, Miroslav Slavkay (DrSc, ScC), our geological survey focusing on new sources of coal and ferrous ores was given priority in the past 3 years. There is no lack of surprises from the depths of the earth. The geologists found new, rich deposits of lignite in the Kosorin area -- in the Ziar hollow near Handlova -- and also brown coal of excellent quality northeast of Handlova. Simultaneously, they are concluding an advanced stage of exploration of another coal deposit in the vicinity of Pukanec which will be ready for mining operations by the end of this year. However, the greatest surprise occurred near Velka Trna in the Trebisov okres, where our geologists found coal of superior quality -- anthracite. According to estimates thus far, the new site contains about 40 million tons of geological coal deposits. Next year our geologists will answer the question of whether that deposit may be exploited by mining. However, everything seems to indicate that before long we shall also have coal mines in the Zemplin region, which will be of great importance for our national economy. The new source would supply the power plant in Vojany, and in all probability some of the deposits will be suitable for coking in the East Slovakia Iron Works.

Geologists Exceeded Their Goals

Thus, in the past 3 years the efforts of our geologists added about 230 million tons of coal deposits to the already existing approximately 130 million tons of surveyed geological coal sources in Slovakia. This means that during the Eighth or, at the latest, the Ninth 5-Year Plan we may at least double our coal production in Slovakia. Instead of the planned geological programs amounting to Kcs 123 million, the Geological Survey in Spisska Nova Ves invested in its search for new coal deposits Kcs 172 million over 3 years.

Numerous geological discoveries also took place in the areas of Rudnany, Slovinky, Gelnica, Roznava and Nizna Slana. The surveys focused mainly on the exploration of the already existing iron and copper deposits and on the feasibility of their continued exploitation. For example, the Maria pit in the Roznava area had been scheduled to be gradually phased out because it seemed that the deposits at that site had been exhausted. Nevertheless, the geologists found two new iron veins with high silver content. Thus, the Maria pit was given a new lease on life. The deposits in the Rudnany area have also been considerably expanded. Although our geologists had set for themselves as a goal to survey 4 million tons of new iron ore deposits in this area during the Seventh 5-Year Plan, they have already surveyed 10.5 million tons as of now. In the same way their goal called for 3 million tons of copper ores but 7 million tons have already been explored. The richest finds of copper ore were discovered west of Slovinky, toward Gelnica, and in the Hodrusa area near Banska Bystrica. Those ores -- especially the ones in the vicinity of Hodrusa -- have a relatively high content of gold.

Precious Ores Also Found

While searching for new deposits of coal and of iron ore the geologists from Spis have found some other precious metals and raw materials. Near Zlata Bana, Hodrusa and Stiavnica they surveyed 22 million tons of lead-zinc ores. Their discovery of tungsten ore in the Low Tatra mountains is unique. Tungsten is used in particular in steel alloys; therefore, the exploration of its new deposits was given priority. Before 30 May 1986 our geologists will report on how extensive the tungsten deposits are and whether their mining is feasible in view of geological conditions. In the words of Comrade Slavkay, everything seems to indicate that they will conclude their survey successfully.

Their explorations have confirmed that mineral deposits with tin content exist in the western part of the Carpathian mountains -- in the area of the Hnilecka Valley. Although the sources found thus far are minor, an intensive search continues. In addition, new antimony ores were discovered; antimony is an ingredient for certain types of steel. Nearly 1.5 million tons of antimony deposits were found particularly in the area of Liptovska Dubrava, where mining is already underway. Our geologists found aluminum ore -- bauxite -- in the vicinity of Markusovce and Moldava on the Bodva River. It is presumed that they may locate several more such deposits in southern Slovakia as offshoots of the veins from rich

deposits in the Hungarian People's Republic. New discoveries of mercury, gold and silver in the Kremnica mountain range look promising.

Raw Material as Replacement for Concrete

Significant discoveries of nonmetallic raw materials have also been noted. In the Stofova Valley in the vicinity of Svedlar, where rich deposits of pure quartz had been found and where the Iron Ore Mine Industries of Spisska Nova Ves is now completing the construction of mining and processing works, additional quartz sources were discovered; they will enable our national economy to develop the production of optical goods and special glass. In the area of Kokava and Hnusta [the geologists] continue to expand the deposits of perlite for our construction materials industry, of zeolite for the needs of our agriculture and chemical industry, and of talc, which is increasingly needed in our pharmaceutical and electrical engineering industries.

The discovery of gypsum near Bohunovo in the vicinity of Plesivec, with deposits estimated at 270 million tons, is regarded as a rarity. Among other things, gypsum may replace concrete, particularly as flooring and plastering material. Its production is less energy-intensive than that of concrete.

In terms of new discoveries, the past 3 years may be legitimately described as the richest ones in the history of the Geological Survey in Spisska Nova Ves. Nevertheless, according to our geologists, the coming years will not be lacking in new discoveries.

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ADVANTAGES OF SMALLER, MORE INDEPENDENT ENTERPRISES DISCUSSED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German No 3, Mar 84 pp 363-380

[Article by D. Hensel, director VEB Impulsa Elsterwalde, Branch Jessen/Annaburg and Dr G. Kuciak, deputy director, Institute for Socialist Economic Management, College for Economics, "Bruno-Leuschner," Berlin: "The Influence of Reproduction Conditions on the Role of Small and Medium-Sized Enterprises and Enterprise Components in Combines of the Processing Industry"]

[Text] In connection with the emphasis on combine formation in GDR industry, the number of combine enterprises has been reduced by more than a third since 1978. As a result, enterprise concentration in the meaning of the centralization of management and funds in large-scale economic units achieved top values even in the international comparison. Based on this fact, the writers deal with the doctrine that labor productivity and efficiency improve with the size of the enterprise. They indicate the limits to a further expansion of enterprises by the merger of regionally distant enterprises and demonstrate that small and medium-sized enterprises may, within the framework of the combines, make a greater contribution to the improvement of efficiency in the changed reproduction conditions of the 1980's, characterized by, among others, declining production runs, greater production flexibility and more complex marketing situations. At the same time the authors suggest how large-scale enterprises may improve their flexibility and responsiveness to changes in demand by insisting on greater market-related emphasis in the definition of their enterprise components. Finally they describe decisionmaking criteria for the preservation or suppression of the economic and legal independence of combine enterprises.

The successful development of the socialist economy in the GDR largely relies on the planned socialization of output and labor, carried out very effectively in past decades in accordance with Lenin's suggestion that it is necessary following the socialization of the means of production "in fact to socialize production."¹ The construction of socialist large-scale production on the basis of rational specialization, cooperation, concentration and combination

contributed to advanced growth rates of output and labor productivity and to the constant improvement in the working and living conditions of the working people. At the same time socialist production conditions were consolidated and developed.

In the course of this process, profound changes occurred in the enterprise structure of industry. As the result of the evolution of larger and more performing economic units, the numbers of economic and legally independent enterprises diminished from 23,582 in 1950 to 4,029 in 1982. The proportion of working people employed in large-scale enterprises with more than 1,000 personnel rose from 48.6 percent in 1953 to 71 percent in 1980.² Output per employee rose more than 8-fold in that period of time (see Table 1).

Table 1--Enterprise Size and Labor Productivity in GDR Industry 1950 and 1980

Year	Number of Enterprises	Employees per Enterprise	Goods Output per Enterprise (million Mark)	Goods Output per Employee (1000 Mark)
1950	23,582	95	0.99	10.4
1980	5,031	627	53.50	85.3

Source: "Statistische Jahrbuecher der DDR" [GDR Statistical Yearbooks], Berlin.

When the high level of socialization of production and labor had been achieved, the establishment of combines turned into an objective necessity, just as had done the formation of similar large-scale economic units in the USSR and other socialist countries. The formation and development of combines as the basic economic units of material production complies with the dialectic of productive forces and productive conditions by building on the standard of socialization achieved, continues this process and develops growth and efficiency potentials exceeding the potentials of single enterprises.

Combine formation significantly stimulated the ongoing process of socialization. This is demonstrated by the process of enterprise concentration in combines, vastly speeded up since 1978. The numbers of enterprises declined by more than a third by either affiliation or merger, from 6,213 in 1978 to 4,029 in 1982. The average figures for white and blue collar workers per enterprises thereby rose from 503 to 792, that is by 57.4 percent.³

Obviously the expansion of enterprises by the merger of formerly independent enterprises into a larger economic unit cannot be equated with the actual concentration of production, because the incidence and size of the producing units are either not changed at all or changed to only an insignificant extent. It may, however, create important prerequisites for greater productivity and efficiency. It facilitates the implementation of measures for the more efficient division of labor between the producing units on the basis of specialization by products or technological processes and thereby provides the conditions for the use or the more efficient utilization of highly productive equipment.

The concentration of material and financial resources as well as of the scientific-technological potential permits the comprehensive reconstruction and modernization of factories in a short time and to the greatest effect. Consequently and also by the more ample funds available for social and cultural purposes, it is possible significantly to improve the working and living conditions of the working people. Management and administrative costs decline due to the centralization and more rational organization of management and administration.

However, these effects are diminished or disappear if the merged enterprises are located so far apart that no rational division of labor and cooperation is possible due to the transportation and handling costs and the time needed. In such conditions enterprise collectives are not able either to grow into a political and social unit.

When enterprises with different production profiles and different reproduction conditions are merged, the concentration effects also tend to be minor, unless cooperating stages of production or sectional processes are involved. In such cases it may happen that either the specific production profile of the affiliated enterprise is altered in favor of the main production of the parent enterprise and at the expense of the satisfaction of specific needs, or that the longer management and decisionmaking avenues reduce the flexibility and responsiveness of this specific production and ultimately, therefore, its efficiency.

These limits for the productivity and efficiency raising effect of enterprise concentration (in the meaning of the centralization of management and funds) are the more evident, the more this process of concentration has advanced. It is therefore necessary with a good deal of sophistication to consider such claims as "efficiency is basically raised along with the growing dimension of the enterprise," or "that the standard of labor productivity tends to rise with the growing dimension of the enterprise."⁴ Generalizations such as "the larger the enterprises, measured by the volume of their industrial goods production, the greater tends to be their labor productivity,"⁵ may give the impression that all we need for the further improvement of labor productivity is another spurt in the size of enterprises. If there were really such a linear connection between enterprise size and labor productivity, GDR industry would need to demonstrate about the highest labor productivity of all developed industrial countries. More than 70 percent of working people in GDR industry work in enterprises with more than 1,000 employees each⁶; in the USSR (1979) 74.5 percent⁷ and in the FRG (1979) 50.35 percent⁸; in the United States more than 56 percent of jobs are in enterprises with fewer than 500 employees.⁹ The GDR's backwardness in the matter of labor productivity by comparison with some developed capitalist countries, complained of at the Fifth Plenum of the SED Central Committee, can therefore not be explained by a comparatively lower enterprise concentration nor significantly diminished by another expansion of enterprises. Moreover we must note that greater goods production per employee in largescale enterprises as against smaller enterprises cannot always be equated with greater efficiency, as demonstrated in the following example (see Table 2).

Table 2--Labor Productivity and Efficiency According to Enterprise Size Groups
in a GDR Industrial Combine 1980

Enterprise Size Group (Million Mark Industrial Goods Pro- duction	Employees per Enter- prise (Average)	Labor Productivity		Profit per Employ- ee (1,000 Mark)	Net Output per 1,000 Mark Basic Assets (Mark)
		Goods Output per Employee (1,000 Mark)	Net Output		
Large-scale Enterprises (above M100 million)	2,270	99.2	22.4	11.9	663
Medium-size Enterprises (M30-100 million)	638	82.6	23.1	12.8	869
Small Enter- prises (up to M30 million)	100	80.1	24.6	14.8	989

Sources: Combine data.

In the past the performance appraisal of enterprises by, predominantly, the growth of its industrial goods production has tended mainly to stimulate the extensive expansion of production. The establishment of large-scale enterprises by the affiliation or merger of small and medium-size enterprises was primarily a means to raise goods production by using the potential of formerly independent small or medium-size enterprises to expand large-scale production while restricting or abandoning the former assortment. This approach often facilitated large rates of growth in goods production without, however, always improving efficiency, too. The conversion of the economy to intensively expanded reproduction and the standard of concentration achieved now require us to review the initially cited doctrines on the connection between enterprise size and productivity and/or efficiency, and to arrive at orientations for the further development of enterprise and enterprise size structures in the combines to respond to the changed situation.

When we consider the development of enterprise size and labor productivity by five-year periods, we obtain a far different view of the connection between enterprise size and labor productivity (see Table 3).

Admittedly, we find confirmed the statement that productivity rises alongside the increasing size of the enterprise, using the yardstick of output per employee. However, it is also evident that the speedup in the process of concentration since 1971 not only failed to be reflected in a speed-up in the improvement of productivity, it could not even prevent a decline in the growth rates.

This suggests that the productivity raising potential of enterprise concentration has been largely exploited. Basically this confirms Braun and Rudolph's assertion that the increase in enterprise size is mainly a feature of extensive economic growth.¹⁰

Table 3--Development of Enterprise Size and Labor Productivity in GDR Industry by Five-Year Sections (percentage annual average growth)

Period	Employees per Enterprise	Gross Output	
		per Enterprise	per Employee
1951-1955	7.2	17.8	9.8
1956-1960	5.0	14.1	10.3
1961-1965	2.6	8.4	5.4
1966-1970	4.2	10.1	6.8
1971-1975	8.2	13.9	5.2
1976-1980	11.7	17.5	5.2
1981	16.7	21.5	3.7
1982	8.2	10.8	2.9

Source: "GDR Statistical Yearbooks," as before

The current changed reproduction conditions, especially the changed demand structures and marketing conditions represent a far greater challenge to the flexibility and responsiveness of many enterprises. Earlier delivery dates have turned into a vital sales argument in foreign trade. They exert a significant influence on the foreign exchange earnings to be achieved. Moreover, cuts in the throughput time of products are an important intensification factor and duly emphasized as such at the Fifth SED CC Plenum.

It is therefore imperative to orient the further development of enterprise and enterprise size structure of the combines to fully exploiting all opportunities for rational and highly efficient mass production and to point out that the value-intensive output of highly refined products in broader assortments may be considerably raised. The potentials and advantages of large-scale enterprises must be made even more effective, while the specific potentials of small and medium-size combine enterprises and enterprise components should be systematically developed. "In tackling further specialization, combines therefore must begin by so incorporating the small and medium-size enterprises in the reproduction process as to achieve the best overall result for the efficiency of the combine."¹¹

Different production and reproduction conditions require different proportions between large-scale, medium-size and small factories in the combines. In the energy and fuel industry as well as in metallurgy it is possible very fully to utilize the laws of mass production. Consequently production proceeds almost exclusively in large plants. The same applies to basic chemicals.

On the other hand, most combines of processing industry include large factories with highly specialized series and mass production as well as more or fewer medium-size and small plants. It is an important task for the combines so to

organize the latter that their potentials may be fully exploited for efficiently satisfying specific needs. Consequently the combine decree conferred the necessary powers on the general directors of the combines. At the same time the fact always needs to be taken into account that the enterprises are independent within the combines. "This approach was chosen, because the production process objectively proceeds in the enterprises, because this is where the people of the collective are working. We are therefore always mindful that each enterprise should be aware of its economic responsibility by assigning it plan targets to be met and settled and by allowing it to establish its own financial funds."¹²

On the Specific Role of Small and Medium-Size Enterprises in the Metal Processing Industry

In the realization of the economic strategy for the 1980's, decided upon by the Tenth SED Congress, a great deal of importance is assigned the conscious use of the advantages and possibilities of small and medium-size economic units in the combines of the metal processing industry--on the basis of a balanced relationship between large, medium and small enterprises responsive to demand structures. Existing small and medium-size enterprises represent a significant reserve for future intensively expanded reproduction, in particular because many still do not occupy that status in the social organization of production, which would guarantee the improvement in the efficiency of their labor consonant with their specific potentials.

As we are all aware, series quantities exert significant influence on the economic efficiency of production. It therefore continues to be a priority concern to ensure large output volumes for the same or similar products. This task may be accomplished all the better if we succeed in developing and producing top products in much demand at home and abroad. From the aspect of the future development of economic units we must also remember that the metal processing industry will increasingly have to turn out products in smaller numbers. Nor is that a temporary phenomenon but we are confronted rather with an inevitable consequence of scientific-technological progress and the greater sophistication of needs. In the metal processing industry, the production criteria needing to be applied in the further socialization process include the wide range from single item to mass production. Typical factors affecting the serial nature of production are

- Scientific-technological progress with its productrelated effects on the direction of production in the form of single purpose destination, longer useful life, performance parameter growth, miniaturization and broadening of application;
- The standard of the socialization of production expressed by the concentration achieved;
- The extent of standardization as a significant source of the increase in quantities due to the optimum standardization of products and processes;
- The availability of resources with the restrictive effect on the expansion of manufacture;

- The planning of the time schedule for the production in lot sizes as well as knowing how to handle the proportion between the running in and out the production;
- The cost criteria;
- Environmental conditions with their restrictive effect on the expansion of production in terms of size and quantity as the prerequisite for avoiding damage;
- Market demands coupled with the need to develop and explore it.

Extreme user, consumer and manufacturer requirements caused mainly by scientific-technological advances obstruct the technically and economically justified wish to raise series volume and increasingly call for the production of small quantities of finished products and their components.

G. Friedrich points out "that, due to the pressure of scientific-technological advances and the economic necessity to find resource conserving solutions in production and consumption, extreme differences in user needs arise, and that these limit the production quantities and series volume of standard products. As a result we are confronted with increasing demands for the satisfaction of special customer requests concerning economically useful solutions for the user."¹³

We are consequently seeing a rise in assortment structures consonant with the capacities of small and medium-size enterprise and may be profitably produced by them. Small-scale production and special large-scale production are production types to be preferably assigned for these special demand structures.

Small-scale production is to be interpreted as the manufacture of industrial products of simple and complex design in limited dimensions and quantities by means of single item or small series manufacture. The demand structures appropriate to it are

- Single item manufacture in the form of special machines, special designs, test samples, manufacturing equipment, rationalization equipment, special measuring and testing devices, and
- Small series assortments in the form of special products, products for test marketing, end runs, accessory and supplementation facilities, traditional production and component supplies.

Suitable for special large-scale production is the manufacture of industrial products of simple design and low item weight in large series and mass production. It should incorporate the demand structure

- Consumer goods as small hardware items, household and garden appliances, electrical appliances, tools and metal toys;
- Work equipment as simple working tools and metal packaging;
- Component supplies as standard components, parts based on blueprints and documentations, products made according to special technological processes.

With less than 200 employees, the Falkenberg enterprise component of the Dessau Gas and Electric Appliances VEB produces the EHF electric stove. This consumer item is manufactured in large series. The formerly district managed enterprise carries on a highly specialized final production (a single item) within the association of the enterprise in the household appliance combine for both the domestic and the export market. This specialized large-scale manufacture can be profitably operated in one enterprise component, using the benefits of large economic units.

Specially well suited for the small-scale production and special large-scale production necessary due to the existence and ongoing evolution of special demand structures confronting the metal processing industry, are units that guarantee

- The quick interchangeability of programs,
- Short delivery dates for the products and services, and
- A favorable location in the region from the aspect of both users and consumers.

Small and medium-size enterprises are able to a large extent to meet these requirements. Their specific potentials for meeting these demand structures are based on

- The size of the factory,
- Cooperation with the large economic units,
- The location of the factory.

The advantages due to the size of the enterprise include greater flexibility at all stages of the production and reproduction process, easy access to the processes as they proceed, quick adjustment to other types of production, liquidity of resources and small overheads.

As partners of large-scale enterprises, small and medium-size enterprises in the combines may contribute to the greater flexibility of the large-scale enterprises with respect to market demands, to the broadening of the product assortment, to relieving the large-scale enterprises of the need for fragmented assortments, to the reduction of management and administration costs, to the improvement of working and living conditions and to the earning of additional and distributable profits.

As small and medium-size enterprises are strewn all over the territory of our republic, they offer the opportunity to quickly supply the customers with a minimum of transportation costs, appropriate employ a local labor force, use local materials to the best effect, add to the utilization of local capital assets and maintain a close link between enterprise and residential area. In future small economic units will be even more important from the aspect ensuring the more effective use of raw materials and fuels.

At the present time many small and medium-size enterprises in the combines of the metal processing industry still fail to hold that status in the system of the social division of labor, which would allow their advantages to be used with the greatest possible productivity and efficiency to satisfy special demand structures. Few enterprises indeed have so specialized their production programs that they efficiently manufacture products of small or special

large-scale production in accordance with their conditions and opportunities. Up to the present, the productivity and efficiency of many small and medium-size enterprises has been adversely affected by an assortment range inappropriate to the size of the enterprise coupled with the use of various technological processes as well as ineffective cooperation with too many partners in different industries. At this time such efficiency promoting conditions as

- Little division of labor in the enterprise production process,
- The minimum of structure of the management and administrative sector, and
- The simple exchange of data in the entire reproduction process

are not yet adequately utilized. The undifferentiated transfer of organizational types germane to largescale enterprises to small and medium-size enterprises not only results in losses of efficiency, it also causes greater costs of management and administration. In the end such benefits as the fast conversion of the production process (from one hour to the next) can no longer be utilized. Consequently considerable disruptions tend to arise in the chains of cooperation.

The increasingly complementary role of small and medium-size enterprises due to their further specialization and concentration need not necessarily result in the loss of their status as a combine enterprise. Management and planning as an independent small enterprise with full economic accounting may indeed be very appropriate if specific operational principles are applied in the enterprise, the product assortment is subject to special quality requirements, procurement and delivery-side cooperation relations are strongly intertwined, the speed of the renewal of products and processes is great, the satisfaction of demand results in differentiated sales relations and the observance of environmental factors and the exploitation of regional resources require on-the-spot management. Crucial for the decision on the status of small and medium-sized enterprises is their position in the system of the social division of labor, taking into account the prevailing conditions for reproduction and the requirements arising from the course of the process of socialization. Such aspects of performance motivation must also be considered as

- The presence of many years of works traditions and
- The possibilities for the development of their own initiatives in the organization of the production and reproduction processes in changing reproduction conditions.

Large series and mass production items of the special large-scale production may be profitably manufactured

- In small decentralized factories of large-scale enterprises, if the product assortment is relatively narrow, the products can be stored for some time without deteriorating, and the long-term user or consumer demand is known, and
- In small and medium-size economically and legally independent enterprises if there is parallel production of various items, and the objective prerequisites for stockpiling manufacture are not present.

The products of the metal processing industry are the end result of many, sometimes thousands of components. It is thus possible to profitably use the small and medium-sized enterprises for preceding stage production and manufacture items in object and process specialized production. The field of operations of small and medium-sized enterprises in the metal processing industry might range from component and subassembly manufacture to a universally interchangeable product program, enabling the combine to quickly respond to the demand on the home and foreign markets.

The standard of the social division of labor achieved facilitates and requires special purpose products and performances to be handled in special units and outside the main production process. Products suitable for specialization in small and medium-size enterprises are products of sample construction, manufacturing and rationalization aids, steel structures, assemblies, industrial repairs and performances of an industrial kind for nonproducing sectors in the region. Many small enterprises in the metal processing industry have specialized in such operations. In the past small units have proven particularly valuable with respect to the repair sector.

The functional and manufacturing samples arising in connection with research and development are typical representatives of the small-scale production of the metal processing industry. With respect to the manpower, buildings and building structure, their manufacture in many combines corresponds to the capacity of a small enterprise. The fast rate of speed-up in scientific-technological advances means that in the majority of combines sample construction proceeds as an uninterrupted process in the preparation of future productions. This justifies and facilitates the earmarking of independent small units for the production of product samples.

For the longest time the use of manufacturing aids for the perfection of technological processes and to ease human labor has proven its worth in the metal processing industry. At the present time the construction of such aids is gaining even greater importance in serving the efficient production of components and subassemblies manufactured from blueprints and documentations. The manufacturing processes of such enterprises are characterized by low production criteria yet demonstrate a great deal of comparability with regard to basic assets, materials and skills of the labor force. Manufacturing aids are usually not industry-typical. This makes it possible to set up small enterprises in the metal processing industry, which assume supply tasks for several combine enterprises or even for entire industries. In this process the advantages of small enterprises offer a satisfactory reserve for meeting these special demand structures. In the combines of the district managed industry, such specialization of small enterprises is particularly important in the field of the construction of rationalization aids for the combine's own consumption.

In some combines it may be an advantage to set up special enterprises for steel structures and assemblies. These are material services of an industrial kind needed for investments, modernizations and repairs. In many cases these services are subject to an obligation to assume. Specialized equipment, tools, appliances and test devices are used for the production-technical work. These, in turn, are subject to special demands with regard to their functional efficiency. Due to their background, many small and medium-size enterprises offer excellent prerequisites for specializing their work processes in this field.

Maintenance requires a specially ample equipment with manpower and machines. This kind of assignment is suitable in particular for small enterprises of machine construction, electrical engineering, electronics and device construction, which are located in the vicinity of a large-scale enterprise. When consolidating combines outside the metal processing industry, the incorporation of small enterprises of these sections of industry is quite a helpful step in the ongoing process of the socialization of production and labor.

The appropriate establishment of smaller enterprises is able better to meet the public's need for services and repairs related to the repair, maintenance and servicing of technical consumer goods. Mainly due to scientific-technological advances, the range of consumer goods has broadened a great deal in the recent past. This requires a wide network of specialized repair capacities in this sector. Due to its inherent advantages with respect to the ability to quickly respond to the demand, the independent small-scale enterprise represents an excellent reserve to meet the demand for material services of an industrial kind.

Within this framework the existing small and medium-size enterprises can turn into a source to raise the performance especially of combines of the district managed industry and to improve services to the public. All it needs is to strengthen the reproduction conditions of these enterprises.

On the Process of Concentration in Light Industry

In past decades concentration has proceeded at an exceptional rate in the GDR's light industry. The numbers of enterprises in the textile and clothing as well as in the leather producing and processing industries declined from about 5,000 in 1950 to approximately 500 in 1983. Roughly 400 of these enterprises are part of centrally managed combines. At an average 830 employees per enterprise, the size of these combine enterprises is above the average for industry as a whole.

Coupled with the cuts in unnecessary parallel production of similar products, this concentration resulted in the greater product specialization of the enterprises and in an increase of production volume. This enabled many enterprises to carry out a greater internal division of labor and specialization by production stages and semifinished goods and, consequently, more rational production with greater labor productivity. However, these productivity advantages of large-scale enterprises can be used to raise efficiency only insofar as the products correspond to the demand and can be sold profitably.

GDR light industry has top ranking in the international comparison as regards enterprise size. Significant differences show up, on the other hand, between anterior textile stages (yarn and fabric production) and the final stages. While the textile industry (spinning and weaving mills including further processing) is among the most concentrated industries in the capitalist developed countries also, small and medium-size enterprises there continue to predominate for the final stages (clothing, footwear and leather goods industry). In the FRG's textile industry each firm had an average of 179.4 employees in 1981, in the leather processing industry 122.2 and in the clothing industry 94.9, compared with an average 187.3 in processing industry.¹⁴

In the GDR textile industry concentration has advanced furthest in the basic stages. With more than 10,000 employees, the Floeha United Cotton Spinning and Twisting VEB and the Neugersdorf Oberlausitz Textile Enterprises VEB are among the largest units in our industry. Still, the final stages also are highly concentrated. Almost two thirds of the people employed in clothing combines work in enterprises with more than 1,000 staff. In 1980 no enterprise of comparable size was shown in FRG factory statistics.¹⁵

The varying level of concentration in the textile and clothing industries is due to the nature of the production and the technical standard relating thereto. As we all know, the textile industry is one of the "classic" industries where mechanization first occurred. Helped by a steadily rising demand, a highly mechanized and automated mass production was able to develop. Still predominating in the clothing, footwear and leather goods industries, on the other hand, is a combination of mechanical and manual processes. The sewing machine continues the most important tool. As a result, the basic asset equipment per job in these sectors is only a fraction of the amount needed in the textile industry. In capitalist countries the relatively small initial capital required favors the establishment of small enterprises in the final stages of light industry if business conditions allow.

In capitalist countries, smaller enterprises enjoy even greater advantages by comparison to large-scale firms due to the sometimes patriarchally embellished exploitative conditions and the lesser extent of worker organization. Despite the ongoing concentration of capital, therefore, the size structure of enterprises has changed little in past decades. When purchase or capital investment resulted in the establishment of larger enterprise groups, the small firms generally maintained their economic and legal independence, so that this concentration or centralization of capital is not reflected in business statistics. Also to be noted in this context is the fact that single unit enterprises predominate in the FRG clothing industry, for example; in other words, a locally producing unit, a factory, is normally managed as an economically and legally independent firm. In 1980 one firm had on the average 1.27 locally operating units.¹⁶

In GDR light industry, combine enterprises on the average include about 10 units, operating in separate locations; in other words the formerly independent small and medium enterprises continue as production departments or sections within the large-scale enterprise and, with respect to the division of labor, are more or less interrelated.

It would be an oversimplification to consider the predominance of small enterprises in these industries no more than a specific feature of the capitalist economy and its development conditions. The proportion of small enterprises did not significantly decline even in the more severe competition at the time of crises (sometimes it even increases--this happened in the 1975 crisis year by comparison with the 1973 pre-crisis year in FRG producing industry),¹⁷ factors are evidently at work here, that counter the increased pressure for concentration experienced at times of crises and safeguard the competitive capacity of small enterprises vis-a-vis larger firms.

As our textile and clothing combines export a large part of their products to capitalist countries also, it is necessary for us to familiarize ourselves with these phenomena so as to be able to arrive at possible conclusions regarding the improvement of our export capacity and, above all, our export profitability.

As domestic demand has been increasingly satisfied, and we are encountering growing competition on export markets, customer demands to the fashion aspect and originality of design as well as on the quality of the clothes have tended to rise. This has resulted in an expansion of assortments and smaller quantities per item--at least in production subject to fashion. At the same time fashion related changes in demand cannot usually be accurately predicted in the plan; our difficulties are increased by early delivery dates. Especially in exports these latter require a great deal of flexibility in manufacture. In these circumstances smaller enterprises are able to balance their technical disadvantages vis-a-vis larger enterprises by being able to deal faster with orders and rationally produce smaller quantities per article; indeed they may well achieve economic benefits by orienting themselves to specific needs or special customer groups. They can thus arrive at a relatively stable status in the satisfaction of specific needs and in exports.

What are the consequences of changes in demand, the range of assortments and marketing and, especially, export terms for the process of concentration and the structure of enterprise sizes in GDR light industry?

1. In view of the standard of enterprise concentration already achieved and the continuing trend toward smaller series, another expansion of enterprises by the affiliation or merger of formerly independent enterprises would not normally facilitate another improvement in productivity and efficiency; instead it is likely to cause difficulties with regard to direct contacts between producers and customers. On the contrary, the proper conditions must be created in the existing large-scale enterprises for the rational production of small series, for quicker responses to changing demand and for shorter throughput times of orders. With this aim in mind, the following potentials of large-scale enterprises must be systematically developed and used:

- The efficient scientific-technological potential,
- The possibility for promptly making available major production capacities and skilled workers as well as various technologies and a greater and broader range of materials,
- Production preparation, control and settlement with the aid of electronic data processing.

2. The specific production conditions and potentials of small and medium-size combine enterprises as well as locally separate producing units within large enterprises must be better used for the manufacture of high-quality goods in smaller quantities. Up to now small enterprises and the multitude of relatively small factories in large enterprises were usually considered obstacles to increased production and labor productivity. This opinion has some merit from

the standpoint of extensively expanded reproduction on the basis of large series and mass production, because even the size of the premises of such enterprises and factories limits the setting up of major machinery systems and the increase in operating sections. Many small enterprises and factories were therefore made to specialize in component manufacture or single production stages, so that they could be incorporated in large series or mass production with improved productivity. Unfortunately the development of this kind of division of labor was coupled with increased transportation, handling and storage costs and also resulted in longer throughput times for the products. Consequently, the desired growth in productivity and efficiency was diminished. The current trend toward a broader assortment and smaller quantities, coupled with frequent changes of items, require some changes in these systems of the division of labor. In addition we need to reduce transport costs and cut throughput times. In these circumstances small and medium-size enterprises should certainly specialize on the manufacture of specific products with a greater extent of processing and in series corresponding to their capacity (for instance, luxury items or items for specific export customers).

3. To be emphasized inside the large-scale enterprises is the specialization of enterprise components on specific assortments--in some cases from product design through marketing--by the appropriate organization and management. Regardless of size, factories with a great deal of independence as regards their production profile should maintain the corresponding economic responsibilities of their own and, with respect to planning, economic accounting and authority to dispose of their funds, approach the status of subordinated enterprises. This encourages the initiative of the producer collectives and their managers and offers greater scope to its development. At the same time it is necessary to take into account the relations and interrelations of the organization with the standard of the socialist consciousness, skills and initiative of the working people. Developed socialist consciousness in tandem with advanced political and professional training represent an immense potential for creative initiative, and its evolution must be encouraged by the assignment of a great deal of responsibility.

The relative cohesion of the spheres of responsibility, their establishment on the basis of clearly defined groups of assignments with a great deal of cohesion in manufacture is an essential feature of an organization which encourages initiative. At the same time such structural units facilitate internal enterprise planning and economic accounting. They make possible the assignment of comprehensible and enforceable plan targets and normatives. That, in turn, provides the basis for exact performance ascertainment and appraisal and the effective material and moral stimulation of the work collectives and their managers. On this basis the socialist competition within and among the collectives can be conducted concretely and with the greatest possible mobilizing effect.

In some cases it may be useful to make producing units independent, in other words set them up as combine enterprises, if due to the independence of the production profile, the reproduction conditions coupled therewith and the distance from the head office of the large enterprise, no advantage is derived from centralization, while the flexibility of the production and reproduction is adversely affected by the undue length of the line of management.

In the changed reproduction conditions of the 1980's, the fear of the alleged undue fragmentation of production in too many small enterprises and producing units has largely been invalidated, because it is unilaterally based on quantitative output growth consequent upon a narrowly specialized large series and mass production. In the consumer industry specially, but also in machine and appliance construction and other sectors, the qualitative aspect of production, the variety of supplies, the range of the assortment and the ability to quickly respond to changed demand, are gaining increasing importance. The result is smaller series and more frequent production conversions. In these conditions the existence of smaller enterprises and appropriately specialized producing units within large enterprises turns out to be beneficial, because it is possible there more rationally to produce smaller series than can be done in larger units, and conversion to other products is faster and cheaper. In view of the foreseeable growing sophistication of demand and our orientation to the export of high-quality products, these specific advantages of smaller enterprises and factories should be systematically expanded and utilized.

Combine Enterprise or Enterprise Component?

Opinions differ in both theory and practice, whether the manufacture of small series of special products--for the luxury trade or exports, for example--is more profitably carried on in independent combine enterprises or in dependent enterprise components. It is impossible to answer this question once and for all because other than objective factors are involved. In each case the answer must initially be based on the necessity and appropriateness of the economic and legal independence of combine enterprises.

The economic and legal independence of combine enterprises is not a merely a formal attribute to be granted or refused arbitrarily. It has importance not only for inter-enterprise business transactions, their formal organization and settlement. It largely affects the thoughts and actions of enterprise managers and collectives. It gives rise to important incentives for creative initiative in the meaning of the goal of socialist production.

The independence of combine enterprises, called for by party resolutions and legally established in the combine decree, is founded on the standard of the socialization of production and labor achieved and the superimposed system for the organization of the economy and management. It requires the planned exchange of products as goods by way of goods-money relations. This exchange, controlled by state planning, proceeds as per the law of values on the basis of prices fixed by the state in approximation to the socially necessary expenditure. Enterprises working in accordance with economic accounting are thereby stimulated to observe and even lower the planned production expenditure, because more or less costs directly affect the enterprise profit and the allocations to the funds financed therefrom. In this meaning, economic accounting encourages cost/profit considerations, "accounting management," the development of rational and efficient management that, in turn, contributes to the steady improvement of the efficiency of social production and, consequently, to the socially disposable national income.

The rights and duties coupled with the status of combine enterprise for the independent-responsible organization of the enterprise reproduction process within the framework of the combine are designed to

- With the aid of plan targets and economic accounting based on goods-money relations achieve the greatest possible efficiency of economic operations,
- Clearly fix and encourage the assumption of comprehensive responsibility for the fulfillment of state plan targets in defined sections of the combine reproduction process,
- Orient and stimulate the creative initiative of the managers and all employees of the respective enterprise to the best possible fulfillment of their assignments,
- Relieve the combine management of the plethora of operational tasks involved in the reproduction process, enabling them adequately to deal with the problems of coordinated long-range developments in the combine, in addition to managing the parent enterprise,
- Give mandatory effect to the relations with partners regarding the division of labor within and, most of all, outside the combine.

As a socialist goods producer, the combine enterprise must actively cope with the challenges and terms of an always demand-appropriate production, must be familiar with the demand and the marketing conditions for its products, adjust to changes in demand and constantly strive for greater productivity and efficiency. The director and management collective of a combine enterprise with the status of socialist goods producer must be able to gear themselves to the domestic and foreign markets, convert the impulses received therefrom to concrete tasks for the development of new products and manufacturing processes, and direct the entire enterprise collective to the best possible accomplishment of these tasks. Needed is the combination of advanced scientific-technological education for the respective industry with business ability, management skills and understanding of national contexts and economic needs. This type of entrepreneurial action is economically stimulated to the extent that its successes or failures are reflected in the funds available for disposal by the enterprise itself and, of course, also by the personal, material and ideological acknowledgment of the achievement.

Ultimately, therefore, the economic and legal independence of combine enterprises is designed to orient the creative activity of managers and collectives to the best possible accomplishment of the social tasks assigned them in their capacity of socialist goods producers and, at the same time, stimulate their efforts for the best possible performance. From this standpoint the preservation of as many as possible economically and legally independent combine enterprises is certainly useful.

The stimulating effect arising from the status as combine enterprise, however, refers largely to management criteria: Amount of goods production, cost ratio, the profit and the resulting allocation to enterprise funds, in other words to the best possible economic result of the own enterprise. This also responds to social interests and needs, as long as the enterprise supplies a direct and independent total product in the form of an independent product assortment, is directly responsible for meeting a specific demand and, for this purpose, maintains constant reciprocal relations with the domestic and foreign markets.

If the status of the combine enterprises changes, and it becomes a component supplier for common end products or for a common supply collection of the combine, the stimulation directed on the best possible profits for the own enterprise and linked with its status as economically and legally independent combine enterprise, may obstruct the accomplishment of the overall combine tasks. It is possible for specialization measures, required in the interest of the better quality of the system of division of labor in the combine and enabling the combine as a whole to achieve greater efficiency, to be less effective for individual enterprises and therefore encounter their resistance. In such a situation, the cancellation of the legal independence of a combine enterprise and its affiliation with another combine enterprise may be appropriate.

Carrying out such changes with the greatest possible efficacy requires understanding and the conscious cooperation of the managers and all working people in the respective enterprises. It needs resolute politico-ideological work with persuasive arguments so that the creative initiative of the managers and collectives is not only not stifled but indeed strengthened for the best possible accomplishment of the new tasks. In addition to the changed status in the combine reproduction process, the creative thought and action of the managers and all working people, arising from greater understanding for social conditions and requirements, is a decisive prerequisite for the cancellation of the economic and legal independence of a combine enterprise not only not to bring about any adverse effects but to actually lead to greater activism and efficiency in the interest of the entire combine and social requirements.

Consequently we should not consider the incorporation or the merger of formerly independent combine enterprises only or even primarily as an opportunity for simplifying management and planning; the decision should rather be based on the efficacy of management and planning, on the consideration whether the specific tasks of the respective enterprise may be accomplished better and in better quality after cancellation of its independence. "If economic accounting were to be restricted to the features of internal enterprise economic accounting for variously located enterprises which produce an item marketable as merchandise and therefore independently organize sales and supply relations and operate as a socioeconomic unit in the region, such an internal enterprise economic accounting, typical for a production department in an enterprise, would necessarily end up by restricting initiative and economic responsibility, exclude the possibilities of the comprehensive utilization of goods-money relations as management tools at this level of economic units."¹⁸

The following are the primary factors favoring the preservation or grant of economic and legal independence to combine enterprises:

- An independent production profile with its own product development and specific technologies;
- Production for customers largely outside the combine;
- Specific reproduction conditions that make impossible the rational centralization of production preparation, procurement and sales outside this producer unit, or make it impossible at the same quality and efficiency;

- Economically useful traditions of the enterprise or its products (enterprise names or trademarks);
- A size and reproductive strength adequate for the organization, management and planning of the reproduction process on the enterprise's own responsibility;
- A territorial location causing difficulties to communication and cooperation with other combine enterprises.

Cancellation of the status of a combine enterprise may be appropriate in the following circumstances:

- The same production profile as another combine enterprise in close vicinity;
- An independent production profile but one without a future, because it is no longer demand-appropriate or suitable for reconstruction;
- Close relations with another combine enterprise with respect to the division of labor;
- Small size that no longer guarantees the necessary reproductive strength for an independent development of the production profile;
- A favorable location with respect to a larger or more efficient enterprise with similar production;
- Savings of managerial and administrative personnel and costs by the centralization of tasks and functions in the enterprise taking over.

11698

CSO: 2300/470

GERMAN DEMOCRATIC REPUBLIC

COST, CONTENTS OF 'SECOND PAY ENVELOPE' ANALYZED

Frankfurt (Oder) NEUER TAG in German 24 Apr 84 p 3

[Article by H. Hofmann: "Cultural and Social Funds: What's Behind Them?"]

[Text] We might have visited any plant and leafed through the balance sheets, the results undoubtedly would have been the same. We picked the Fuerstenwalde tire manufacturing factory.

For a long time, the workers of the tire plant have enjoyed a good reputation in our district because of their efforts and actions to strengthen socialism in every respect. Last year, another unparalleled initiative of theirs attracted attention: in conjunction with the GDR's 35th anniversary, more than 70 percent of the workers committed themselves during party elections to meet personal target plans, most of which consisted of obligations for which they are accountable.

This personal commitment stems from the recognition that good work for society is also of benefit to the individual. There are many instances in which everybody can measure the benefits of policies that seek to increase the welfare of society. Because of this--the tire workers concluded--given the high performance that is necessary to achieve the continued growth of the developed socialist society, the share of the individual in future progress must be measurable as well.

This reflects the experience that the best way of developing ideological incentives to work, the willingness to do one's best for society is to let everybody experience for himself that the interests of the individual, of the collective and of society are the same. Mass initiatives show the best results if material and ideological incentives work in the same direction.

Let's talk about material incentives to work. Not only for the tire worker have apartment rents, the cost of public transportation or the price of staples to satisfy his basic needs remained low. Not only the tire worker is enjoying the benefits of the housing program, free medical care, rising wages and payments from the social fund to the population which have grown since 1979 from more than

M 49 billion to about M 62 billion. In the socialist economy, there are M 7,400 a year in this second pay envelope for every worker who, in 1982, already earned M 1,066 a month.

Still, there is even more in this second pay envelope of the tire workers. The cultural and social fund alone contributes another M 1,600. For instance, the factory owns 785 apartments, 163 of them with district heating. The 1983 budget had set aside M 769,000 for maintenance. Or let's take worker benefits. For example, subsidies for meals served during work breaks have increased by about 40 percent since 1979. Because the factory restaurant--the term "cafeteria" is no longer adequate--offers a large variety of food, the thermos of coffee and the sandwich brought from home have become the exception. Why not, considering that up to 15 different kinds of food are offered for breakfast and at least five hot meals for lunch. In 1983, the cultural and social funds disbursed M 1,847,000 in subsidies.

In comparison, the M 116,000 spent, in 1983, on the plant's new health clinic appear modest. But it only seems that way. The funds are only meant to operate the clinic; individual medical care is free of charge. Inaugurated during the Tenth Party Convention, it has already provided more than 100,000 treatments, visits to the dispensary and followup examinations. Some 144 health cures were "prescribed" in 1983 alone. Last year, the plant spent M 637,000 as part of the second pay envelope for 401 places in its nursery and kindergarten, which are of particular importance to young families and young mothers; that is a multiple of what the families themselves are contributing to the cost of staying there and of receiving care and education. Many women in the textile division, in the consumer goods area and in administrative positions, in particular, look upon these social benefits as an obligation to give their best to society,

And what else the tire workers are getting: In 1983, over 916 places were available in company-owned vacation homes. In 1979, they had 756 places, and this year they had already been increased to 1,236. The FDGB supports an additional 842 places in vacation homes and 520 in vacation camps for children. Everybody knows how little they cost. In 1983, the cultural and social fund also contributed M 482,000 to numerous sports activities of all kinds.

The individual worker also benefits from the new performance evaluation system, which requires combines and plants to account for their economic achievements, and from the establishment of the performance fund which is possible after top results have been obtained. In 1979, this performance fund paid out M 178,000; in 1983, more than M 2.1 million. Initiatives such as to cut down on the waste of covered cord from 7.97 percent in 1979 to 1.26 percent a year ago meant that the production of 16,044 more bus tires, the reduction of mixture waste during the manufacture of diagonal tires by about 60 percent and an improvement of the useful life of radial tires to 110,000 km and hence an increase in the performance fund. This made it possible to provide, for instance, funds to restructure the jobs of 554 workers and to set up the Buchholz camp.

And something else: In 1983, the plant paid out some M 2 million for sick benefits from social security funds alone.

From the 1983 balance sheet of the union-directed social security fund:

- . M 5.8 billion were expended for medical care of those insured in the GDR.
 - . M 2.3 billion were spent on medicine.
 - . In 1983, the social security paid out M 3.5 billion in sick benefits to employees temporarily unable to work.
 - . It financed 331,375 health cures for adults and children in the GDR and abroad.
 - . A total of more than M 12.2 billion were paid out in the form of retirement benefits.
-

Yes, in this country we know that best efforts on the part of the individual translate into high benefits for the individual. Social security, confidence in the future and respect of society for the honest and disciplined worker are as much of an incentive as the second pay envelope for--to name only three examples--boosting the 1984 production of consumer goods by 100 percent, manufacturing new goods such as the all-steel tire, and earning at least M 10 million from innovations.

With regard to incentives to improve performance, W. I. Lenin emphasized that socialism makes it necessary to build the economy not only on "enthusiasm per se, but on enthusiasm fanned by the Great Revolution, on personal interests, personal concern, economic accountability." The 3,500 tire workers understood him well: for the 35th anniversary of the GDR, 95 percent of all employees are now working under personal target plans.

7821

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RECONSTRUCTED BEARING FACTORY PROVIDES GREAT VARIETY

Budapest NEPSZABADSAG in Hungarian 14 Apr 84 p 6

[Article by Istvan Foldes: "Thousand Kinds of Bearings from Debrecen"]

[Text] After Reconstruction in the Rotating Bearing Factory

Four years have passed since reconstruction of the Hungarian Rotating Bearing Works--and within this the home plant in Debrecen--was completed. With an investment of 3.6 billion forints the Debrecen factory, created as one of the first children of socialist industrialization in 1950, became a new, modern factory giant with a capacity of 25 million pieces.

What has reconstruction brought about, has it produced the hopes attached to it, and what is the state of the Hungarian bearing industry today?--we talked about these things with Laszlo Fiak, who for over three decades has been in the factory's employ and has been its general manager for over 10 years.

Reliable Quality

"The reconstruction's main result is"--he says--"that there is no bearing shortage in Hungary. We have put this typically support industry into order. Since then our performance has also increased quantitatively--last year we produced 28 million bearings and we are planning almost 30 million for this year--and what is increasingly important is that so far we have also kept up with the quality requirements.

About 10,000 types and sizes of bearings are used in the Hungarian industry. Of course this cannot be produced economically in this country, but the approximately 1,000 types of bearings the factory makes covers 65 percent of the domestic demand. We satisfy the balance mostly with the help of the bearing industry cooperative organization operating within the framework of the CEMA integration, with planned sharing of the work. Last year, for example, we imported bearings in the value of 13 million rubles from CEMA countries, and sold them bearings worth 12 million rubles. Thus we also had capacity left for developing the capitalist export, which in 1983 almost equalled our import from there.

"It demonstrates the good quality of our products and at the same time also our ability to adapt"--continues the general manager--"that we have gained some

space in the United States: last year we exported our products there in the value of \$2 million. This is one-fifth of the total capitalist export. In accordance with the customers' wishes we produce for them by American standards instead of the European standards. The merchandise makes the trip in special packaging from Debrecen through Hamburg to the customers' assembly lines.

The GOCS [Hungarian Rotating Bearing Works] sold 53 percent of its products in this country, 21 percent on socialist and 26 percent on Western markets. Besides the United States its largest capitalist customers are the FRG, Austria, Egypt and the Netherlands.

"How well are you holding up in competition which is strong also in the bearing industry?" --I asked the general manager.

"The main component of success is reliable quality. Another important element is flexible adaptation and quick delivery. Today we are at the point of being able to ship the type requested by the customer on a two-month deadline. It also has a role in our market results that we are introducing more and more new types. We are adding the production of 20-25 new types each year. For the most part these satisfy special demands."

With the reconstruction the Debrecen factory of the large nationwide enterprise became one of the well organized, modern plants of the Hungarian machine industry. In the rooms producing short or long production runs the machines of basic technology are generally from the Soviet Union, but there are some smart machines here also from the GDR and other socialist countries. Some finishing machines were purchased from capitalist countries, and several pieces of equipment were locally designed and manufactured.

"Since then the Soviets and Czechoslovaks have also adapted these latter ones"--notes Laszlo Fiak.--"But ones like this"--he points at an automatic machine made in Belgium, and replacing three people--"we can import only from capitalist countries, or could if we had the money."

At this point the conversation switches to the factory's main problem, the very limited development opportunities.

What Do We Use for Development?

"The GOCS is one of those few enterprises that completed major investments, which meets exactly its loan repayment obligations"--explains the general manager. --"Of the 3.6 billion investment 600 million were our own resources, the balance is a 10-year loan. Yes, but the contract was for 6.5 percent interest rate, while today we are paying 14 percent. We have adjusted our business to the price increases in metallurgy and energy supply, but the increased interest rate takes away that part of amortization which remains at the enterprise, and together with the repayments of the principal also a portion of the profit. Last year our profit was 173 million forints, but we could spend only 17 million on the development fund, and from this we also had to pay for the labor protection and social investments. According to international experience we would need at least two percent of the value of the fixed assets each year to break even. In this case this would be 50-60 million forints. But in reality only 0.2 percent remained for this purpose."

"For this year we are planning a three percent increase in production and 200 million profit, but we will not have much more money this year either to purchase new machines--even though we would need them badly. The national economy will recover the cost of reconstruction in about 6 years, but we will suffer under the burden for several more years. Nevertheless it should not be permitted that such a background enterprise of key importance--which is competitive today and brings in more and more hard currency--fall behind the standards of international leadership."

The major enterprise's other problem is related to raw materials. There are many quality problems with the Hungarian metallurgy products. Even the special care or lack of care of packaging demonstrates the difference between domestic and capitalist steel products. "Yet, with greater attention"--Laszlo Fiak observes--"the Hungarian metallurgy could to a greater extent satisfy our needs and could decrease the capitalist material ratio which is still 16 percent today. But we cannot compromise on quality, we can only use raw materials which satisfy this."

Economic Work Association ['gmk's]

There are 5,600 people working in the Debrecen, Diosgyor and Balmazujvaros plants and business headquarters of the major enterprise. The enterprise is responsible for the nationwide tasks of the bearing supply and also handles the export and import tasks related to this.

Last year they implemented a 4-percent wage increase and thus the average wage now reaches 5,000 forints per month. Employment is rather stable, but with the increase of quality requirements the demand for qualifications is increasing. Exploitation of market opportunities also involves quantity problems from time to time, because obtaining some orders often depends on whether the GOCS is willing to commit itself to quick deliveries.

"We are solving this problem largely by organizing enterprise gmk's [economic work associations]. For the most part they also handled the enterprise's tasks of last year's increase in the capitalist export"--the general manager relates.

There are 350 people working at the enterprise within the framework of work associations, this is 7-8 percent of the work force. One portion of the gmks replaces work contracted out earlier to outside organs and cooperative manufacturing, and another portion produces the increment in export performance already mentioned. These latter ones operate only in times of some rush orders.

"We could not pay for the work after regular working hours and for Saturday and Sunday work as overtime, our entire wage improvement budget would be consumed by it"--states the general manager. But this way, as cost, the additional wages are most easily tolerable.

There is a caricature on the shop's wall: a worker is jumping from one Novabrand Italian processing machine to another, and above him is a bed which represents his desires.

"Well, really there is little time for sleeping and relaxation"--says machine set-up mechanic Pal Kispal.--"I came in at noon today, and I am working this afternoon within the gmk's framework, then during the night shift I do my regular work as set-up mechanic. The load is not uniform, generally I work seven or eight shifts a month in the gmk, but there were occasions when I worked 12. Generally there is net earnings of about 450 forints per shift at times like this. I am not complaining, the money comes in handy, but I don't think I will take on this extra work next year, too."

"This opinion is not unique"--adds the general manager.--"The best workers are participating in the gmk, they make good money but more and more of them feel that when their family plans--for example, building a house--become reality they can cut down on or quit the additional work. We also wanted to organize another gmk but did not find enough people for it."

Support Industry Enterprise

We have a prospering support industrial enterprise which is working and exporting more efficiently than the machine industry's average. But the lack of capital, the restrictions of wage management, material supply, and mainly the metallurgy's insufficient interest are hindering its growth. All this involves the danger of falling behind in international competition. Part of the problem derives from the country's economic situation. But not only from this but also from the problems of our economic management. Changing this is an increasingly urgent task.

8584

CSO: 2500/321

EXPANSION OF HIGHWAY NETWORK PROPOSED

Budapest MAGYAR HIRLAP in Hungarian 11 May 84 p 5

[Text] Yesterday the settlement policy working committee of the National Presidium of the People's Patriotic Front discussed the concept of expanding the nationwide system of public roads. Istvan Banoczy, chief counselor of the Transportation Ministry, presented the main determinations of the plan at the meeting which was attended by planners, contractors, administrative and council leaders.

Our current situation regarding public roads demands a plan as soon as possible to develop a long-distance national public road system, which is capable of meeting increased traffic needs. The plan naturally has to take the ability of the people's economy to bear the burden into account. But first of all, it should consider it important to respect social, political and commercial interests. Based on all this, the plan to be completed by next year has to consider that by the turn of the century there will be 200 automobiles per 1,000 households, and that a comparable road system has to be established. This is even more important, because almost [figure indistinct] percent of traffic is on this system. Currently, roads which can be considered as primary make up 13,500 km of the 30,000 km-long national road net. The plan intends to expand the primary road net by 3,300 km. In order to have a unified traffic system, the plan calls for the establishment of numerous bridges and ferries on the Danube and the Tisza, and in order to reduce the load in the capital, the current Budapest-centered road net will be altered.

Superhighways are only planned or developed where international needs justify it. A superhighway would be built, according to the needs of the European North-South Superhighway Plan (TEM), on domestic highways M1, M5, M7, M15, and M43. The plan calls for at least a primary road between Budapest and several important cities. (Debrecen, Gyor, Miskolc, Pecs, Szeged). At least a secondary main road should be established between the capital and the other county capitals, as well as between neighboring county capitals.

Since UVATERV and the Transportation Institute want to develop the plan after involving all affected parties and listening to expert opinion, the People's Patriotic Front organized a series of forums in five major cities in the coming weeks to spread information about the concepts and to discuss them. So in Pecs on 22 May, in Gyor on 24 May, in Debrecen on 31 May, in Miskolc on 1 June, and in Szeged on 5 June, opportunity will arise to compile experiences and to suggest new ideas and proposals. The National Presidium of the People's Patriotic Front will develop its stand on the nationwide public road system development plan based on the summaries of these forums. This position will be forwarded to the appropriate technical authorities.

CSO: 2500/353

BRIEFS

MORE GAS FROM ULLES--With the installation of new wells, production equipment and long distance pipelines in the Ulles hydrocarbon basin near Szeged, production is expected to increase fivefold, from the current 400,000 cubic meters to 2 million cubic meters daily. All of this is due to the recent "rediscovery" of the Ulles fields, which were previously thought to be small. This is where 20 years ago the first natural gas was discovered in the entire Szeged basin. They found out later, that it is worthwhile to explore deeper than 2,400 meters, the previous depth. Ulles became one of the country's major gas fields due to the discovery of new gas layers at depths below 3,000 meters. This year they are spending about 100 million forints on developing Ulles. For a while they expanded the existing separation unit, which separates gasoline from natural gas, with temporary equipment. To transport the cleansed gas, a new 30 kilometer long pipeline has just been readied to accompany the existing 3 kilometer-long pipeline. A new gasoline pipeline has also been constructed. By the end of the year, the permanent gas plant will be ready. Starting then, daily gas production at Ulles will expand by 1 million cubic meters. [Text] [Budapest MAGYAR HIRLAP in Hungarian 12 May 84 p 6]

CSO: 2500/360

FINANCE MINISTER OUTLINES POSITIONS ON PARIS CLUB TALKS

Warsaw POLITYKA in Polish No 20, 19 May 84 pp 1, 5

[Interview with Stanislaw Nieckarz, minister of finance, by Zygmunt Szeliga: "Money and Politics"; date and place not specified]

[Text] [Question] POLITYKA: Mr Minister, you are always under fire by the press and public opinion--and I personally am involved in that--in connection with taxes, the hard money policy, etc. I really have to admire your patience. But today I want to take up another subject with you: our foreign debt, and as it were, how things stand now and what our prospects are in negotiations with our creditors. One talks about money, figures, percentages, etc., with a finance minister, but I want to begin this interview by talking about feelings. And so I want to say that I came here with a sense of considerable relief after the recent reports about the signing of agreements with representatives of the commercial banks and the announcement that talks with the Paris Club are being resumed. Finally something has become unblocked, there is some movement, and, I hope, more along our line of thinking. But, still on the subject of feelings, let me say immediately that in addition to relief I also have a sense of anxiety and fear, both the old fears relating to our debt and new ones. Let us begin with the relief.

[Answer] Stanislaw Nieckarz: We have signed another agreement with the commercial banks, a more favorable agreement than the previous ones. Previous to this the talks and agreements concerned one year at a time, and the effect of every agreement was a certain decline in the payments balance. Now, after six months of difficult negotiations we have come to an agreement on the remaining portion of our indebtedness to the commercial banks, and it may be said that that part of the problem of the Polish debt has been postponed to later years. We will begin to repay the principal beginning in 1989. We have obtained better terms than in the previous, annual agreements. This year, as well as next year, there will be no decline in our balance of payments as a result because, in accordance with the agreement, everything that we pay during this period will be refunded to us in the form of new credits. But this is only a temporary relief. In the later years we will have to repay everything.

[Question] For an economist this conclusion is clear, but I would like to ask you to explain more clearly to our average reader, who is not an economist, why you are happy with this agreement and believe it to be a good one.

[Answer] The first matter is, I believe, obvious to everyone. I am referring to the settlement, by way of agreement, of the entire problem of debt to the commercial banks. We no longer have to think constantly, as we have had to thus far, on how to pay the instalments on loans always coming due, always having to begin new discussions, while at the same time our hands were to a large degree tied in our current trade and financial relations with the West. That is how it has been during the past 3 years and that is why we have strived to close the matter by a single, nonrecurring agreement. This has now been done. The second matter is that of this loss, as I called it, in the balance of payments. It was extremely important for us to find and agree upon a formula which for a temporary period, several years, let us say, will not be an excessive burden on our balance of payments through expenditures for repayments of the debts, and will also be approved by our creditors. We have found just such a formula. It means that in practice it will be easier to expand foreign-trade turnovers, and this is, after all, one of the important conditions for our overcoming the crisis in general, and in particular it will allow us to increase our exports which, in turn, will make it possible for us to repay our loans in the future. Simply speaking, if we were to repay our loans to the commercial banks in accordance with the instalments as they came due, we would have to reduce imports greatly during this year and the following years. This would have adverse effects on our economy.

[Question] I think that this is now clear to everyone, except that here is where the anxiety and fears, about which I spoke earlier, appear. You say that we have closed the matter, that we no longer have to negotiate, and that there will be no loss in the payments balance. That is nice, but... The deferral period will pass and then everything will have to be paid anyway. Everything, or more than is due now, because after all there is also the interest on the principal. The avalanche continues. And then what? After 5 years will I, or my younger colleague, come to you or your successor and say: Mr Minister, the period of calm has ended, we face a mountain of debts, larger than 5 years ago. Do you then begin another round of negotiations with the creditors?

[Answer] That is a terrible picture but figuratively it may reflect the essence of the matter. But that is what would happen were we to spend that time "idly" and doing nothing in our economy. That is not how it is or how it will be, because our economy has not only its own strong potential but above all it has strong and lasting ties with the economies of the socialist countries, and mainly with the Soviet Union. Through this cooperation we are greatly reconstructing our economy. But this is a separate and large subject.

You spoke at the beginning about your sense of relief. It is still a long way to complete relief, except that everyone, the managers in the economy, the workers, and citizens--we must all have a good understanding of the meaning and importance of this relief and how it applies to the future. The agreement relieves the payments balance for a few years and gives us a temporary respite to put our economy in order. We must use this period and our increased ability to export entirely for the purpose of modernizing the economy, updating our technology, in short to make it possible for the economy to grow and thus our future exports to grow. This must be done efficiently and with unwavering consistency. Let me say very definitely: Not one dollar of the new credits

may be allocated for growth of consumption or any kind of nonproductive needs, anything which will not create lasting productive or export capabilities. Only on those conditions will it be truly possible to repay the indebtedness and not pass this "baggage" on to the next generation.

[Question] That specifically is what my fears are all about. In the first reactions after the agreement was signed I heard such remarks as "we have gotten rid of the problem, our ability to pay has improved so perhaps there will be more animal feed, meat and something for the market and for the current needs of production..." We take that path and the avalanche rolls...

[Answer] We have not gotten rid of the problem. And we will not, cannot take the old path.

[Question] Is that the hope of a member of the government or the announcement of a definite economic policy?

[Answer] That is, of course, the government's determination, but it is more than that. That is how the entire econo-financial system of the economy must operate. It is also a problem of redirecting the mentality of the management cadre in the enterprises. They must have in mind, as they work, the future of their firm and its possibilities of cooperation with foreign partners. Finally, this is a problem of the awareness of all of society. An awareness that for 10 years, let us say, we will feed ourselves and in general live on a level, and only that level, which the internal funds produced by our economy will allow, and that we will not again seek foreign credits to satisfy needs that go beyond those that our own country can satisfy.

[Question] Do you believe that all of this can be done?

[Answer] It has to be done. We have no other choice. No one is going to forgive us our debts. There is no institution or organization that could do this. And so the alternative is this: either we begin to repay our debts or, as you said, the avalanche will roll further to some kind of dramatic economic finale.

[Question] Mr Minister, can the fact that the agreement has been signed be interpreted to mean also that our creditors have optimistically assessed the potentials and abilities of our economy and believe that we will be able to cope with it?

[Answer] First of all I must stress that during the last few years we have conducted talks with the commercial banks during the entire time. We have signed agreements and communicated with each other, although as a rule these talks were hard and difficult. Our discussions were strictly on economic and financial subjects. And now, returning to your question, it can be said that we were able to reach the present sweeping agreement primarily because the banks favorably evaluated the state of our economy and its development, as well as our programs and plans. This is a different situation than in years past when we met with a large dose of skepticism and distrust, lack of faith in our ability to prepare and implement a program to surmount the crisis. The bank

representatives come twice a year, examine the state of the economy, progress in stabilization, and the trade and balance payments. We furnish them current data on all of these matters. In addition they attentively read our press and learn about many things of interest to them. They analyze, associate and draw conclusions. Finally, we should add, that the agreement came about also because we consistently complied with all of the obligations we assumed in the previous agreements.

[Question] Mr Minister, we are both showing our relief here on the signing of the agreement with the commercial banks, but after all, this is only a small part of our indebtedness problem. The main problem is the so-called "guaranteed credits", i.e., the talks with the Paris Club, which is made of of creditors--in our case representatives of 16 Western countries.

[Answer] The agreement with the commercial banks is no small matter. That which we signed pertains to approximately 7 billion dollars, although it is only about 25 percent of our total debt.

In the talks on restructuring our guaranteed debt (the Paris Club) we will demand an influx of new credits, this time negotiated on a bilateral basis. These are indispensable if we are to reconstruct our economic potential and thus make it possible for our economy to expand and develop our export capabilities, which, as a further result, will make it possible for us to repay our debts more quickly.

[Question] Do you intend to present just such a plan to the Paris Club?

[Answer] Yes, in the general sense of this idea, because this is a program which secures the interests of both sides. Furthermore, and this must be clearly stated, it is precisely because of the present positions of certain of the Western states--members of the Paris Club--we have sustained obvious and serious losses. Every responsible economic, here and in the West, knows of these losses. Since our ability to expand has been reduced for reasons for which we are not to blame, we now have the right to expect conditions which will allows us to make up these losses.

[Question] That sounds logical. The problem is to get the other side to share this viewpoint.

[Answer] Certainly the talks will not be easy. But what is important is that they are taking place at all. This suggests a certain breakthrough. A distinct evolution in the views of the Paris Club has taken place. It is well to recall that in January 1982 the Club broke off all talks with us. Sanctions and restrictions, as well as a credit blockade, were applied. Incidentally, we should say that this was really a strange phenomenon in world credit relations: the creditor did everything to complicate the life of the debtor, to bring about losses and lessen the chances of recovering his own money...

[Question] And so what was the state of affairs during those 2 years?

[Answer] No talks were held. In turn, we were not able to repay our obligations. Of course, we did not get any credits, either, not even those which are

simply a normal, everyday component of trade. The Club made the resumption of talks dependent on political conditions. We took a very consistent position: no political positions. We have joint econo-financial problems to solve and we can and should talk about them and them only. No sovereign country cannot permit the conduct of such talks to be dependent on any kind of political conditions, conditions which pertain to its internal affairs. This would constitute consent for interference from the outside, a violation of sovereignty. Our consistent position is beginning to be fruitful. Now the Paris Club is not setting political conditions and this has made it possible to resume talks. Three technical meetings have taken place which paved the way for the next meeting. It will begin on 21 May in Paris.

[Question] You have described the general philosophy which representatives of Poland can present to the Club. But economists and financiers are not content with a philosophy, but want to talk about hard facts. What, then, can we expect from our partners in the talks?

[Answer] Two matters are most urgent. First of all, we must be sure that our application for membership in the International Monetary Fund and the World Bank has been "unblocked." Second, we must obtain a guarantee of an influx of new credits and a return to normal financial-credit relations. We will convince our partners that the economic crisis has greatly reduced the standard of living of our people. Nor will we omit the already mentioned-above fact of the losses which we sustained as a result of the sanctions, which also had an effect on the standard of living.

[Question] What do you think the chances are that the other side will accept our views?

[Answer] If the government representatives are guided by econo-financial reason, then certainly we should find a common formula for agreement, just as occurred in our talks with the commercial banks. We think that the development of trade and economic cooperation is in the interests of both sides, and that an agreement must help to achieve this. Without the necessary agreements, guaranteeing advantages to both sides, both sides will lose, just as they did during the past 2 years.

[Question] Mr Minister, permit me for one moment to put myself in the place of a member of the Paris Club who, to all of these arguments, can reply as follows: you Poles expect a great deal of us. We can assume that these expectations are fair and justified. But we would like to have a more realistic guarantee that the acceptance of your conditions will also be advantageous to us.

[Answer] That is realistic and I think that that is how we will talk in Paris. As far as other guarantees are concerned, we will present to the Paris Club, just as we did to the commercial banks, a program for the development of our economy, its particular fields, and the chances and prospects of their exporting. And these are no longer just programs, but the actual reality of our economy. We already have a continuous surplus in our balance of payments, our creditors know all about this and are carefully following the general

tendencies of our economy, and particularly the problems relating to export and trade and payments balances. The fact that Poland's indebtedness is no longer on the front pages of the world press is also important to the climate of the talks in Paris. The talks in Paris will pertain to 16.5 billion dollars, because that is what our obligations to members of the Paris Club are at this moment. This is scarcely 3 percent of what the Third World countries owe to the Paris Club.

[Question] One moment please, Mr Minister. The figures do not add up. You say: 15.6 billion dollars, to which 7 billion dollars of debt to the commercial banks must be added. Altogether this is not quite 23 billion. But after all, the total sum of our indebtedness is larger.

[Answer] Yes. At the moment is totals 26.4 billion dollars. The rest are loans drawn from other creditors, including Third World countries and socialist countries, including the International Investment Bank in the USSR. All matters relating to these debts are basically in order. And so after the agreement with the commercial banks, the most important unsettled problem which we have to solve is the debts guaranteed by the Western governments, and thus also, the normalization of financial-credit relations with these countries.

[Question] But one way or another, from the standpoint of the country and its citizens, the problem is the overall debt.

[Answer] And the key to solving this problem, let us repeat, is strong expansion of export. To some this may sound like a paradox of our economy. It has a great deal of potential and excellent cadre capabilities. And at the same time, it has a disastrous ratio of export to other indexes, in relation to the level of development already attained. Our export is too low, regardless of what we relate it to, whether to economic potential, amount of production, indebtedness, or even in terms of one inhabitant in the country. And the development of export potential is simply a matter of the survival of our economy. Until we all understand this, we will not solve our country's main economic problems.

[Interviewer] Thank you for the interview.

9295

CSO: 2600/980

PZPR BODY REVIEWS REFORM PROGRESS REPORT

Warsaw TRYBUNA LUDU in Polish 15 May 84 pp 1, 2

[Article by Krzysztof Krauss; material enclosed between slantlines printed in boldface]

[Text] (Own Information) Increased efficiency, a more rapid shift from extensive to intensive methods of expanding the economy, the more effective counteraction of barriers that arise on the so-called labor market, in raw and fabricated materials procurement and in the field of investment potential, as well as in access to foreign-exchange funds--these are key elements for implementing the plan, and not only for this year.

Progress in these areas will determine economic performance records for the entire current 3-year period, the gradual restoration of economic stability and the shape of tasks to be implemented via the plans and actions encompassed by the national socioeconomic plan for the second half of the 1980's. This is closely related to the consistent implementation of the economic reform that is already an important factor stimulating enterprise initiative and facilitating the adaptation of the entire economy to new tasks, needs and potential.

/The KC [Central Committee] Economic Reform and Economic Policy Commission, deliberating under the chairmanship of KC Politburo member Stanislaw Opalko, familiarized itself with the preliminary statements of the report on the implementation and results of the economic reform in 1983. The report is to present the experiences and the conclusions drawn therefrom with regard to the impact of reform mechanisms on the implementation of fundamental, indispensable changes in the economy, questions related to the use of reform mechanisms for the more efficient performance of the role of central headquarters in the planned steering of socioeconomic processes, the entire complex of questions related to the continued improvement of organizational structures, the impact of the workforce upon the actual implementation of their tasks as the proprietors of plants with full legal rights, and the like. The preliminary theses of the report were presented at a meeting of the commission of the government plenipotentiary for economic reform affairs, Prof Wladyslaw Baka./

In the near future, between May and June, the report theses will be supplemented and expanded by the remarks made by those taking part in deliberations. Next the report will be submitted to the Commission for Reform Affairs, and shortly thereafter to the Council of Ministers, from which it will go to the Sejm.

The commission likewise examined materials submitted by the Minister of Communications Wladyslaw Majewski regarding the current problems of telecommunications and the prospects for the development of this field of the economy through 1995. Poland still holds a very low position in terms of its telecommunications network and number of telephone subscribers. We average 9.2 telephone subscribers per 100 inhabitants, and the delay in rural areas is especially severe. In CEMA this average is 13.8 subscribers per 100 inhabitants, in Europe it is 24.6 and worldwide it is 19.1. According to assumptions submitted by the Communications Ministry, the "minimum" variant would ensure an increase in the number of subscribers to 16.7 per 100 inhabitants in 1995, while a more optimistic variant would increase the number of subscribers per 100 inhabitants to 23.5 over the same period. Unfortunately, it will be impossible to achieve this increase without considerable capital spending. In the first instance, to achieve the "minimum" variant, the ministry estimates that outlays averaging 100 billion zlotys will be needed from 1986 to 1990 and averaging 130 billion zlotys from 1991-1995. In the case of the second, more optimistic variant, outlays averaging 180 billion zlotys will be needed for the coming 5-year period and 250 billion zlotys will be needed during the next 5 years.

/The program prepared by the Ministry of Communications should be treated as a "preplan study" that is worthwhile considering in the preparation of the assumptions of the national socioeconomic plan. This plan should aim to prepare the most effective directions for restructuring the national economy, including from the viewpoint of export needs./

8536

CSO: 2600/987

PROVINCIAL PZPR SECRETARIES CONFER ON ECONOMY

Warsaw TRYBUNA LUDU in Polish 19-20 May 84 p 2

[PAP report; material enclosed between slantlines printed in boldface]

[Text] /From 16-18 May 1984, a seminar of economic secretaries of the PZPR Voivodship committees was held on the current socioeconomic issues and on party work--in light of the National Conference of Delegates resolutions./ The seminar was conducted by director of the KC [Central Committee] Economic Department Stanislaw Gebala.

Issues of the implementation of the Central Yearly Plan were discussed against the background of the results attained during the first 4 months of this year, as were the fundamental tasks for the near future. Questions related to the restoration of economic stability and the role of enterprises and voivodship officials in this process were also examined.

Tasks were considered in the field of foreign trade, in the market sphere, in the field of tying in wages with work performance records and in the area of the efficient use of raw and fabricated materials. The ministers overseeing the particular fields of the economy opened the discussions and then also answered questions fielded to them.

/An important part of the seminar was the discussion in five groups devoted to the tasks of party echelons and organizations in light of the economic performance records achieved in the voivodships and to the methods of party work in the economic sphere./

Views were exchanged in the area of implementing production tasks and in the area of the party work of KW [Voivodship Committee] economic elements in the particular voivodships. The need was stressed for the further consistent implementation of tasks emanating from the resolution of the 14th KC Plenum and the provisions of the National Conference of Delegates. Cases were noted of stock or superficial approaches in some enterprises to the implementation of costs-cutting and inflation-fighting programs.

Politburo member, PZPR KC secretary Kazimierz Barcikowski presented the substantive and organizational assumptions of the coming 16th PZPR KC Plenum dedicated to the share of the working class in the socioeconomic development of

Poland and discussed the most crucial tasks for party work in the near future. He likewise answered questions and discussed problems addressed to him by the seminar participants.

Participants in the seminar included the first secretaries of PZPR KZ [plant committees], of ministries and of central offices.

8536

CSO: 2600/987

DIRECTOR SURVEYS RECORD, FUTURE OF KEY MACHINEBUILDING PLANT

Warsaw PRZEGLAD TECHNICZNY in Polish No 13, 25 Mar 84 pp 8-9, 10

[Interview with Zdzislaw Miedziarek, managing director of the Cegielski Metal Industry Plants in Poznan, by Marek Przybylski: "The Second Phase"]

[Text] [Question] At the 14th KC [Central Committee] PZPR Plenum you stated: "We have over 20 young engineers employed as machinists and we are observing future groups of young technical intelligentsia who are eager to step up to work at the machines." I received this announcement with mixed feelings. To work as a blue collar worker one does not need to earn a diploma at a polytech. This is an expensive way of "producing" such workers. What do you think about this?

[Answer] After all, no one pushed these engineers into working in production. They asked to do it themselves, for various reasons, among them to obtain a better, significantly better, salary after working only a short time. But let's return to the matter at hand. I am not about to tear my hair over this; instead, I am analyzing this very surprising development. For that fragment of my speech I was taken to task by the engineering community at one of our factories. The known statistics, which are making a career for themselves thanks to SIMP [Association of Polish Mechanical Engineers], comparing the engineer's and the blue collar worker's pay and relating the changes that have taken place over time to the disadvantage of the engineer, were recalled. At the same time we are confronted with the radically different relationship that exist in pay structures in the West. But when we try this relationship on for size let's not forget that for every thousand employees we have many more engineers than in the United States or in other leading Western nations. What is the conclusion? Well, nothing really, because as far as technological progress goes we are behind nations.

Seeing this picture of the situation in Poland I am cognizant of three things: the pay scales, well publicized by the SIMP, the statistics which tell us the number of engineers in our nation, and the constantly criticized low level of work productivity, in effect chiefly the low level of technology in Poland. In putting these items together one comes to a conclusion about the low level of effectiveness of engineering work in Poland. In view of this how can we forbid engineers to move into production? We have reached a different conclusion. If they wish to work at a machine, then we will not interfere, but

we intend at the same time to observe their performance. Let the workshop environment correct what "statistics" have ruined. If the engineers who have gone over to production work for purely economic reasons -- for they can earn twice as much as in their preceeding assignment -- are really good engineers, then in 3 to 4 months at their shop assignment they should earn as much as the best worker (partly due to rules that are in force). And we will search out such engineers so that later we can move them to managerial and directorial positions.

[Question] Then this means that you do not consider the case of employing engineers on a mass scale in the future as a solution, but as your own method of selection, the purpose of which is to find the best cadres...

[Answer] Something in this vein. I treat it as an attempt to emerge from the present economic situation. Is there a different solution? Could I brutally forbid the engineers to take such a step? Why? I'd like to give as an example 1 of those 20 engineers who have gone over to do blue collar work. I knew him personally, he came after working for 3 years in the chief technologist's division at one of the factories. He said that 2 more years of such work and he would cease to be an expert in internal combustion engines, his specialty. He wanted to sign on as a motorman on a ship. I gave consent. Then for some reason he did not go, and now he's on the list of those who have gone down into the shops. He is an assembler in the ship engine assembly division. It appears that he demonstrated consistency in realizing his career path. Having this fact before me what am I to do? Forbid it? But everything shows that these engineers know what they want and in the future have a chance of becoming the managerial core of our factories. Considering the present pay structure I approve such a proposition. I will not turn away from this structure after a short time.

Still, I do not have a clear indicator which I can use in assessing the work of engineers. If I had one then I would have found a way to reward the best engineers so that it would not be profitable for them to go into blue collar work. The decision made by those 20 engineers created an opportunity for me to make a beginning selection. I have taken advantage of this.

It seems that if someone is a mediocre worker, then, simplistically, he will probably be an average engineer or, in any case, a less desirable one under actual factory conditions in the future. Perhaps his engineering studies were a mistake? You will probably tell me that it would be too expensive to mold workers with polytech diplomas. Very well. But if that's what happened then we must take the consequences of the way things are.

[Question] That's one way to choose engineers. But, conversely, engineering abilities do not always prove themselves at the workbench. There can be persons who have no manual skills, none of the specific wherewithal needed in the shop, or who do not belong there for social-sociological reasons, but at the same time have the makings of a superb technologist or builder....

[Answer] If this were so then this individual would see his future in the technological or construction office and not force himself into production.

[Question] What do the engineers themselves think of such a career path? What is the opinion of the enterprise NOT [Chief Technical Organization] committee?

[Answer] The SIMP members have already voiced an opinion on this matter. They believe that besides the official 3-month assignment in production, there should be an additional assignment of about 9 months in production for young engineers. Effectively, their period of assignment should end in a position not unlike that of an assistant division manager. There seems to be a need for more contact with production matters. Besides that, I agree with you that the future engineers specializing in specific technology, designers, and laboratory workers do not need a long contact with the work environment, but this is essential for the "lead" engineers, the future directors, managers and the like.

[Question] How do you see the role of the SNT [Scientific and Technical Association] NOT in the functioning of such a large enterprise like Cegielski?

[Answer] We have many engineers. There are enough for many a small province. The mechanical and electrical engineering associations are strong. On the enterprise level the NOT committee is active. Personally, I attach the most significance to the work of the circles, the smallest units. There the effort in self-education and experience-sharing should be concentrated. If I could create an environment for engineers so that they would not have to seek additional after-hours work, then I would know what they should do in the framework of the NOT. Chiefly, I'd like them to study and propagate modern technology. This is not just claptrap about the necessity for continuing professional improvement for engineers.

[Question] Let's talk about production results at the Cegielski Works in Poznan. How do you assess the past year at Cegielski?

[Answer] I'm sure there was improvement. After two bad years at Cegielski the past year was one of stabilization. The tasks that were outlined at the beginning of the year were accomplished. In production and sales we made up the backlog from the two preceeding years when production deadlines were not met.

To be brief, in the last year production rose by 8 percent. In comparison with the results of 1982 we noted an approximate 14-percent improvement in work productivity. We have guaranteed the workers pay at the average national level for the electromechanical industry. We have made a profit and gained a moderate return. A reasonable part of the profit will remain in the enterprise to allow for shaping sensible perspectives for development.

We accomplished these tasks while work productivity grew. This was chiefly due to an increase in the effective time of worker presence on the job, mainly due to a decrease in sick leave.

[Question] Does this mean that the workers are healthier, more disciplined, or perhaps simply that it does not pay to be sick?

[Answer] I would say there are two reasons. The workers are better paid, it is profitable for them to work because the rewards are greater, and besides this the atmosphere is quieter. This is also good for production. Pay has been adjusted as to eliminate "suspect" sick leave. As I've already said, the system has worked for us. The element of work time usage is one of the simplest methods of increasing work yield. But still, even at these good Poznan plants, we are far from properly utilizing the time which passes between 6 am and 2 pm or 7 am and 3 pm. Even our methods of observing the time utilization only scratch the surface. But all losses of time count, late starts, early stops, each extended lunch or rest bread, etc.

Multiply this by several thousand workers and you can see the large supply of reserves. I think, and this is my subjective opinion, that at this same intensity of effort each of us at Cegielski could add an additional half hour to the work time.

[Question] But this is not the way for gainful production growth in production for a colossus like Cegielski. A fundamental modernization is needed, changes in the complement of machines. Plans in that direction were never realized. Every time I come here I hear that there are no simple reserves. But it seems to me that you are still uncovering simple reserves.

[Answer] In an enterprise like Cegielski, in the face of its function in the nation, finding possibilities in activating only simple reserves will not give us a leap forward and the growth in production which we need. Only fundamental changes, investment, will produce an increase in the movement to get us into a higher level of production. After all, this is the way that enterprises like ours are to pull the country out of the crisis. But is it because we lack the resources at present for modernization that we should forgo utilizing the simple reserves? It seems that they are worth thinking about. But I must stress the fact that investment is needed. Our complement of machines is outdated. This prevents us from making a leap in technology and quality as well as further increasing work yield. It is becoming more difficult to stay in step with leading foreign competitors. If we do not wish to stay in the rear and lose the race, in which we are presently falling behind, we must make investments. Some time ago I stopped thinking about new facilities, a complete modernization of the shops, and expansion of the production area. We have plenty of work area but our tooling is not programmed for labor savings, it requires a higher level of employment than we have at present. Now this road is closed. We need tooling which will allow us to radically increase work yield. At the present level of employment we must introduce electronic methods not only to the manufacturing process but to production control. We need machines which will transform our workers from manual workers into machine operators. Then we can negotiate the salary that we will pay the workers for operating two or three such machines without additional physical effort. I must conduct such investment activities if I am to lead this enterprise to the forefront of manufacturing.

[Question] Very well, investment. But what to do in a situation where access to funds is made difficult? A factor that complicates things in the case of

Cegielski is that large sums are being contemplated, sums that the enterprise cannot provide by itself.

[Answer] Therefore this process must be conducted in phases. We have a goal-oriented concept and it appears that we can repay borrowed funds. Is there an enterprise of this size in the world that can execute such a modernization program from its own funds? It is obvious that I must show the lender an attractive situation for utilizing his resources.

[Question] But what if inspite of this you cannot convince a lender to go along with your plans?

[Answer] At the 14th KC PZPR plenum I said that I am aware of the fact that enterprises like Cegielski must finance the national budget, as long as they have resources, as long as yield is growing and there is a source of income. But is this sufficient and is this the way of the future? Surely not. Several enterprises which can demonstrate accelerated growth should become objects for investment. There is no turning back. After observing what has happened at Cegielski in the last few years I cannot imagine how we can continue to stagnate.

To look at the shops at after 4 pm is deflating. The sight of a large number of idle machines and the materials and assemblies which are awaiting processing but are not moving because of the lack of workers is depressing. How long will this last? These machines must be replaced with ones having a higher yield because we will continue to lose people. During the last few years we have lost several thousand workers. Meanwhile, technology has moved forward rapidly. I have toured several engine plants in the CEMA countries and in the West. I have come to the conclusion that at Cegielski we have never been so far removed from the standard of manufacturing that exists in the world today. If it were not for the fact that our craftsmen are the best this gap would be even greater. In the past we stayed in step for years. Now, it is more difficult for us. The modern ship engine that gives great benefit to the shipowner is after all a mechanism that is more complicated, requiring more work input or changes in the present methods of manufacture.

If we cannot make the leap in one jump then we must spread out the process of modernization over time. But we cannot stand around waiting, especially at Cegielski, where we have fallen behind badly because we did not take advantage of the investment opportunities in the 1970's. Therefore, when we speak about the future today we must also consider taking advantage over the short term of the reserves that we call simple, which I can see, always keeping in mind that this is not the kind of growth we are really after.

[Question] What new opportunities were created by the economic reform? How is this new system being absorbed by a large organization like Cegielski? To what extent are its principles being adopted by the work force? Are they an object of interest only to the management?

[Answer] I would like to differentiate between two matters. The degree of mastery for the rules of the game that the managers of the enterprise and

individual factories have and must apply daily, and the perception of the reform regulations by the work force at large. I think that it is most important that the reforms help to create an atmosphere favorable to production. If one looks at this function, then it seems that the awareness of the reform principles is growing, but at a slow rate. It is growing faster because of economic incentives rather than for social reasons, or because of the awareness that the workers have a part in managing the enterprise.

I believe that most of the work force is still skeptical as to the possibility of real participation in management and affecting certain matters in the enterprise. For example, in last year's elections to self-government groups the voting frequency was under 60 percent, and our survey, whose purpose among other things was to start activities that would help obtain housing for workers, was answered only by two-thirds of the members in the housing cooperative.

In some matters the workers do not believe that their voice counts. It seems that there is still a lack of awareness of the possibility of participating in decisions that affect the future of the enterprise. If this is so, then the basic idea of the reform is far from being realized in those shops. Perhaps to realize the reform we need many years of consequences in implementing it.

I was once asked if the reform has reached the work stations. But I ask what this would achieve in the first phase of the reform. I think that if we reached a state in which there is order in the workplace, properly prepared production work tools and raw materials, then, thanks to this, the worker could earn higher pay, and this would be something that would really interest him. To sum up, the feeling of reform is great among the managers, but it is far smaller among those who have to demonstrate it by their work.

[Question] Let's return to production-related matters.

[Answer] I would like this year to be the time for the second phase of the reform to begin, in a future sense as well. If stabilization proceeds at the same rate as in 1983, then this should be a year for preparing some developmental variants up to 1990: in the field of preparing manufacturing and technology for products from the sale of which we could thrive, and also in creating a reorganization program in the enterprise from the standpoint of manufacturing methods ...

[Question] Nothing new this year, then ...

[Answer] What does this mean, nothing new? You live in Poznan. You have visited here for many years and know well that there has not been a year when we have not released something new. For example, we have started producing a new-generation ship engine. We will continue to produce the electric locomotives for which we have built the prototype. At the same time, we are building two prototypes of a modernized diesel locomotive. I do not know if this will lead to a production run. There will be a few new things.

[Question] For many years you were the director of the Cegielski Export Office and are still actively involved in the Polish Chamber of Foreign Trade. What then is the prognosis for Cegielski holding its place on the world market?

[Answer] We have an especially difficult situation in the production of ship engines. We have worked out a certain concept and either this year's orders will bear it out or we will have to look for other solutions. Today, the circumstances in the world are such that if at one time our production was divided equally between domestic shipyards and export, now only 30 percent of our orders are from the domestic shipyards. The remainder must be sold somewhere in the world and in the face of very stiff competition. Today in this competition one must battle for every million dollars. One must compete with price, quality, promptness of delivery, and terms of payment.

This year we must gain new markets for our ship engines. There is nothing else we can do. This is a problem of most of the world's ship engine builders, the circumstances in this field are unfavorable. We want to come out with proposals aimed at developing nations. We would like to sell a part of our engine production not as ship engines but as stationary electrical generating plant engines. Everyone is trying this approach now. Many manufacturers, especially in the West, have unused production capacity. We must capture a part of this market. For us this is the key problem. If the export plan does not go well, we may have to postpone our development plans into the far future. Only the success of our ideas will induce a lender to invest in Cegielski. This is the condition for development and modernization which is so very much needed by the enterprise.

12411

CSO: 2600/908

SHIPBUILDING PROGRESS REPORT

Warsaw RZECZPOSPOLITA in Polish 10 May 84 p 3

[Article by P-K; material enclosed between slantlines printed in boldface]

[Text] /This year Polish shipyards will build 55 ships with a carrying capacity of 740,000 tons. If nothing stands in the way of these plans, the production value will exceed 90 billion zlotys. In comparative prices, this will be about one-fifth higher than in 1979, the year taken as the basis for comparison./

All of the ships will sail under foreign flags, except for one 33,000-ton vessel built for the Polish Steamship Company in Szczecin. This year the shipbuilding industry anticipates income set at 382.5 million rubles and \$325 million. This latter sum will be about one-third higher than last year and about one-half higher than 5 years ago. The significance of these comparisons, however, is diminished by the fact that the implementation of most contracts suffers from a delay of about 2 years.

/Despite the many positive signs and the appreciable growth in production over the last 2 years, the shipyards continue to be affected adversely by the results of the breakdown occurring at the beginning of this decade./ The process of modernizing shipbuilding was also stymied. The most severe problems, however, emanate from the manpower shortage. Over the last 3 years, employment at shipways declined by more than 5,000 skilled workmen. What is more unfortunate is that we still have not gotten these tendencies fully under control. At the Lenin Shipyard in Gdansk alone, there are over 500 requests for dismissals. That is why the production potential of the shipyard is not being used in full and why shipbuilding cycles are longer than they ought to be.

/In spite of these problems, the shipbuilding industry is still concerned over the quality and modernness of ships. This is its trump card in the face of sharper and sharper competition. During the past few years, several types of ships have arisen at Polish shipways that are second to none in their class worldwide./ These include the ro-ro ships, the modern reefer, the super trawler, the semicontainer ships and large ferries for a Swedish shipowner. A special field is the construction of scientific-research vessels for the Soviet Union and an extensive program of exporting to the USSR a large fleet intended for the prospecting exploration and mining of undersea minerals, especially petroleum and natural gas. The overall title of this program is "Szelf."

Thus, despite the world crisis, /our shipyards have their order books almost filled through the end of the current decade./ Beginning next year, deliveries of ships for domestic shipowners, treated unfairly for many years by native industry, are likewise to increase. Contracts for 43 ships have already been signed and contract talks are underway with regard to another 108 vessels. Thus, if all the talks bring positive results, /our fleet will receive 151 ships with a carrying capacity of nearly a million tons by 1990./

In spite of this, it is estimated that native shipyards will meet about two-thirds of the needs of Polish shipowners. An essential problem here is the financial capability of shipping enterprises, in particular the Polish Ocean Lines that is burdened with debt.

The Polish shipping industry now awaits the modernization program outlined in the operating schedule for implementing state maritime policy. In the main, these ventures concern the completion of modernization processes that already have been initiated as well as the renovation of shipyard assets, above all the expansion and development of the social sphere necessary for the retention of the indispensable level of employment. The combined costs of the program are set at 46 billion zlotys through 1990. While this figure is high, as the interested parties themselves agree, it is worthwhile to maintain current levels in an industry whose production does not depart from worldwide standards.

8536

CSO: 2600/987

PAGE OF PRIVATE SECTOR INSPECTION PICKS UP IN WARSAW

Warsaw TRYBUNA LUDU in Polish 10 May 84 p 5

[Article by isz; material enclosed between slantlines printed in boldface]

[Text] /The so-called nonsocialized sector inspection campaign initiated by the Council of Ministers Committee for the Observance of Law, Order and Social Discipline has assumed specific forms in the Warsaw Voivodship./

/By a decision of the mayor, on 27 April 1984, a team was appointed to coordinate inspections and checks in selected fields of the nonsocialized economy. For 3 days, this team has been conducting very thorough inspections of private plants, agential plants and Polonia-type firms via the services of groups appointed by the team./

We are informed by team chairman, voivodship deputy prosecutor Lech Kwiatkowski, that each group includes professional inspectors and social workers hailing from the Federation of Consumers and from youth and women's organizations, as well as workers. Representatives of the Fire Brigade and of san-epid [health-infectious disease team] are also making inspections. In general, they are finding irregularities that emanate both from premeditation and from thoughtlessness and a lack of foresight. For example, this past Tuesday at the IRAPOL Polonia-type firm, such serious instances of fire prevention neglect were uncovered that it was decided to close the cosmetics bottling plant. We will be conducting a long-term campaign. We are joining together the efforts of professional control organs: the Warsaw Office of Internal Affairs, the PIH [State Trade Inspectorate], the NIK [Supreme Chamber of Control], the Treasury Chamber, the District Price Office and the Departments of the Warsaw Office.

/Let us add that these so-called professional organs of control are finding many irregularities and outright criminal actions. Sometimes, however, these actions are ineffective. For example, we have learned that as a result of inspections conducted in December 1983 by the Department of Industry, Services and Small-scale Industry of the Warsaw Office, the authorizations of six Polonia-type firms were withdrawn. However, these enterprises are appealing to the ministers and to the Administrative Court and they are still in operation to date./

Documents that are still fresh, prepared by PIH inspectors following a visit to seven agential WSS [Voivodship Consumers' Cooperative] fruit-vegetable stores in the southern Prague district, attest to cheating in counting customers' change, cheating in weights and failure to adhere to the compulsory price list. A check at Mokotow has produced similar results.

/In Warsaw and the Warsaw Voivodship, 29,000 craft plants, 3,500 trade plants and 11,390 private services plants are registered. Moreover, about 200 Polonia-type firms are in operation. The inspection groups that visit them will make thorough checks of whether these plants are conducting activity in accordance with the legal regulations and society's needs or whether they are merely a source of the amassing of wealth by owners. The inspection is to be reinforced by severe sanctions following the discovery of irregularities and criminal actions./

8536

CSO: 2600/987

MARSHALING RESOURCES FOR CENTRAL CAPITAL PROJECTS

Warsaw RZECZPOSPOLITA in Polish 14 May 84 p 3

[Article by masz; material enclosed between slantlines printed in boldface]

[Text] /Improvement in the efficiency of capital spending is a fundamental task for investment policy this year. Despite actions embarked upon over the last 3 years aimed at discipline on the capital spending front, strong trends toward its expansion continue, thereby spreading thin resources and funds./ The excessive number of construction projects being conducted at the same time, given the shortage of many construction materials and the lack of enterprise finishing potential, is causing the implementation of many tasks to be delayed considerably. /Thus, resources and funds are being concentrated indispensably upon the building of projects of importance to the economy, particularly central investments./

Production from newly built manufacturing plants will have a significant effect upon the economy. Production capacities will increase annually in the following ways: /hard coal extraction will grow by 30.4 million tons; brown coal extraction will grow by 44.5 million tons; electrical power will increase by 8.5 MW [mega-watts]; thermal power will increase by more than 1,475 Gcal/hr [giga-calories per hour]; rolled products will increase by 800,000 tons; NPK [nitrogen-phosphorus-potassium] fertilizers will grow by 823,000 tons; antibiotics will increase by 468 tons; sugar will grow by 67,000 tons; paper will increase by 274,000 tons./ One should also take under consideration the benefits accruing from the opening of eight waste treatment plants, seven water reservoirs, the National Library and the Oncology Center.

/In such a situation, it is disturbing that the average delay for the building of central investments is 4 years, according to the data recorded by the Investments and Construction Team of the Council of Ministers Planning Commission./

By the end of 1986, it is planned that 28 investments will be put into operation, including 3 hard coal mines, the Polaniec electrical power plant, the Nowotko Works rolling mill, the Antibiotics Production Plant in Tarchomin, 4 water reservoirs and 3 waste treatment plants. In 1987, ten investments are expected to be ready for operation, including the Police II phosphorus-nitrogen fertilizer production plant and the Kwidzyn Cellulose-Paper Works.

According to Stanislaw Wozniak, deputy director of the Planning Commission Investments and Construction Team, /whether the deadlines will be met will depend primarily on whether the appropriate construction potential is focused on the building of projects and whether materials, machinery and engineering equipment are delivered on time./ Last year's experiences show that unless economic incentives are created to motivate construction industry enterprises and specialized enterprises to accept projects for the building of centrally-planned investments and unless they are given preference in materials procurement, some tasks may not be completed on time. Last year, financial outlays were not used and, consequently, several materials-related tasks were not executed.

This year, including 20 centrally-planned investments in government orders should prove to be a solution that steps up the rate of construction work.

8536

CSO: 2600/987

CRVENA ZASTAVA AGREEMENT WITH FIAT/IVECO

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3 Apr 84 p 12

[Text] The agreement relates to production of light delivery vehicles of the "S" type with payload of up to 3,000 kilograms. Annual value of the agreement should reach 18 billion lira.

Belgrade, 2 April (DIV) Representatives of the Crvena Zastava plants in Kragujevac and the Italian Fiat/IVECO corporation signed a 7-year agreement on 30 March on cooperation in production of light delivery vehicles of the "S" type with payloads of up to 3,000 kg. The annual value of the agreement should reach 18 billion liras, with the result that the overall value of cooperation between the Yugoslav and Italian firms will be increased to 80 billion in both directions. The agreement anticipates a balance in exchange whereby the Crvena Zastava plants will deliver complete vehicles, rear drive axles and other parts, while receiving motors. The agreement further advances and enriches previous collaboration.

The result will be greater production volume, better division of labor and specialization in production and a broader product assortment of such vehicles to domestic buyers. Already installed facilities will be better utilized as well. The vehicles will be offered next year on the Yugoslav market as panel trucks, vans, EMT and general use vehicles.

12131

CSO: 2800/276

AUTOMOBILE PRODUCTION, IMPORT-EXPORT

Sales Statistics

Zagreb DANAS in Serbo-Croatian 13 Mar 84 pp 16, 17

[Text] Three Million Automobiles

How many passenger cars are sold annually in Yugoslavia, including imports? In 1982, domestic plants sold 175,324 automobiles. East Bloc countries sent 18,000 cars to Yugoslavia, while another 5,000 were imported from the West. All together, domestic buyers purchased 198,324 automobiles in 1982.

At the end of 1982, there were 2,698,605 automobiles registered in Yugoslavia, and it is anticipated that that total will grow to 2.9 million by year's end.

Fall in Production

Since 1979, the record year, the fall in Yugoslav automobile production has grown steadily (see table). The disturbing prediction is that this year and in coming years, a significant shortfall in production will occur, for automobile production involves a whole series of other industrial branches. The motor industry employs more than 500,000 workers. Together with trucks, production of passenger cars can generate a gross product of 2 billion dollars.

Why Do We Export Automobiles?

Those who produce good, cheap automobiles succeed in the world; they have an organized sales and service network and supplies of spare parts, payment concessions and dependable deliveries, etc. Under such circumstances, Yugoslav producers are outsiders, and frequently they must be satisfied by merely covering production costs.

Why then do we export automobiles? The specialists respond: Because by exporting we increase production volume in both the final and supplier industries, we attain greater economy of operation, utilize industrial capacity and employ workers. But price reductions to foreign buyers is an increasingly difficult way to sell cars. The year before last, the Crvena Zastava

plants exported cars to 15 countries. In Lebanon it sold only--one "Zastava 101 confort" (see the table).

Passenger Car Production in Yugoslavia

Year	Brand Names						Total
	"Zastava"	IMV	TAS	"Cimos"	"Ida"	"Upim"	
1980	179,852	33,719	13,695	8,192	836	94	236,387
1981	170,575	34,153	21,114	2,252	2,542	370	230,988
1982	153,724	35,744	20,700	5,774	4,602	591	221,135
1983*	201,800	47,500	30,000	6,340	4,650	1,020	301,310

*1983 plan figures. Actual production of automobiles was markedly below the plan; precise data are not yet available.

Yugoslav Passenger Car Exports

Year	Brand Names				Production	Exports	Percentage
	"Zastava"	IMV	TAS	"Cimos"			
1980	22,678	21,892	--	--	236,387	44,560	19
1981	35,381	17,948	--	--	230,988	53,329	23
1982	30,478	19,564	3,500	--	221,135	55,214	25
1983*	53,782	21,500	13,500	1,200	301,310	89,982	30

*Plan figures. (Export plan projections for 1983 were not realized. The "Crvena Zastava" plants exported only about half the number of cars in the plan figures.)

Imports From East and West

The reduced domestic supply of automobiles, which is increasingly threatened by exports, cannot be compensated for by imports. This year and next, some 33,000 automobiles will arrive in Yugoslavia from abroad. Of that number, 15,000 will be from convertible exchange countries (for purchase on consignment with payment of factory charges in hard currency and taxes and customs in dinars). It is not, however, so easy to obtain 15,000 cars from the convertible exchange region.

There is a somewhat different situation for cars imported from Czechoslovakia, Poland, the GDR and the Soviet Union, where convertible foreign exchange is not necessary. Some 18,000 Trabants, Wartburgs, Skodas, Fiat 125 and 126s, Polonezes, Ladas and Moskviches arrive annually from the East, and it is very easy to find buyers for them.

How Much Does It Cost To Drive 1 Kilometer?

A well-known Belgrade journalist who follows the automobile scene has concluded that the time has come for the Yugoslav with an average income to grow with his car. Today a Yugoslav citizen, regardless of the type and size of his vehicle, receives coupons for 480 liters of fuel per year. If

he uses premium fuel, it will cost 34,080 dinars. With that amount of fuel, somewhere between 4 and 7,000 kilometers can be covered. The price of gasoline is a greater problem than the coupons.

Maintenance and fuel costs for a Yugoslav "Fica," without depreciation, for 5 years total 222,770 dinars. With depreciation and certain other costs, the annual expenses are 63,688 dinars, or more than 0.31 million dinars in 5 years. If an owner covers 6,400 km per year, then the cost of fuel and maintenance (including registration) would be 44,554 dinars. A kilometer of driving, including depreciation, would cost 10.43 dinars, or 1,033 dinars for 100 km. Travel by "Fica" is four times more expensive than riding the bus.

Production Statistics

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 2 Apr 84 p 15

[Text] Passenger Car Production, 1977-1983

Year	Brand Names					UPIM
	IMV	CIMOS	TAS	ZCZ (Zastava)	IDA	
1983	42,059	2,629	15,943	145,448	3,216	750
1982	31,302	5,069	16,510	153,644	4,256	591
1981	28,859	1,923	21,188	184,817	2,397	370
1980	39,659	8,192	13,639	193,738		
1979	48,125	13,337	15,178	208,582		
1978	33,500	11,169	10,002	197,404		
1977	27,800	9,423	10,340	183,554		

12131

CSO: 2800/276

END